## FINANCIAL TIMES

**AFGHANISTAN** Divisions among

the Mujahideen

No.30,766

Friday February 10 1989

D 8523A

#### World News **UN** observer force backed \$500m US by Central **America**

Central American foreign ministers have agreed to back the establishment of a UN observer force in each of the five Central American countries. Page 18

North trial ruling US appeal court ruled against Bush Administration and refused to stop trial of former White House aid Oliver North because of national security

#### Kampuchea plen

Kampuchean resistance leaders called for reconciliation among the warring factions of Kampuchea under a peace plan whereby the United Nations would supervise the withdrawal of Vietname

**Azores air crash** Searchers continued to recover bodies from the US-chartered Boeing 707 which crashed in the Azores Islands, killing 144 people on board.

#### Jamaica election

Early indications in the Jamaica election showed that conservative Prime Minister Edward Seaga would be unseated by Michael Manley, who led the radical left-wing government in the 1970s, Page

Sri Lankan troops ... The Sri Lankan Government deployed troops across the island in an effort to halt preelection violence that has claimed 800 lives since the beginning of the year.

#### Iran to free POWs: Iranian Foreign Minister Alf Akbar Velayati said Iran would release 260 Tragi prisoners of war soon and his bleet his country was ready to exchange the rest under United Nations me-

Polish dispute ende Coal miners who supply Poland's largest power plant suspended a strike after the Government warned that the dispute could harm talks with

eace talks.

#### Solidarity union. Page 3 Hunger strike

More than 40 civil rights lawyers in South Africa pledged to fast for 48 hours in support of the hunger stalkers demands to be freed or put on. trial. Seven detainees have been hospitalised. Page 4

#### Shura to convene

A traditional council (shura) of Afghan leaders prepared . for meetings today to choose an administration that would oversee general elections for a new Afghanistan government. Page 4

#### Concordo cracks British Airways is checking five of its seven Concordes after discovering "small cracks" in the roof of one air-craft. Air France is also check-

ing its supersonic jets. French prison picket French police in full riot gear ired tear gas and pushed

J. 25

15.03

#### through prison guards picket-ing France's largest jail, Fleury-Merogis prison south of Paris, to take prisoners to court, Page 2

Nec-Nazi group ban The West German Government banned the neo-Nazi National Assembly group as police raids in six federal states yielded arms caches and outlawed pro-

STERLING

Hond: 10018 SFr1.579 (1.5905) Y128.5 (128.65)

New York fates Comex April \$398.0 (399.1)

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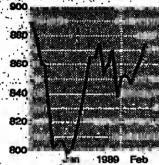
**Hong Kong** 

yield: 8.93% (8.83)

## **BET plans**

## preference share issue

**BET, UK-based support** 



absence of fresh fundamental factors, dealers attributed the rise to chart-inspired buying. Commodities, Page 32

UK GOVERNMENT appointed accountancy group Deloitte, Haskins & Sells to examine the accounts of statutory water companies threatening to impose charge increases of 30 to 50 per cent. Page 7

**EXPORT CREDITS Guarantee** Department, UK Government agency, is likely to come under scrutiny after revised accounts revealed a loss of more than £1bn (\$1.74bn) in the 1986-87 financial year. Page 6

fourth quarter earnings, due-to strong performances in its overseas personal products operations. Page 20 RACTMAN HODAK, world's

largest maker of photographic products, reported a striking es in the l quarter rose by 29 per cent to \$312m on a equivalent rise in sales to \$4.54bm. Page 20 NMB BANK, Netherlands'

fourth largest bank, and Postbank, Dutch state-owned bank, are expected to announce plans to merge and partially privatise the Government's stake.

TELEFONICA, widely quoted Spanish telecommunications monopoly, reported a Pta61.52bn (\$528m) net profit for last year, a 15.5 per cent increase on 1987. Page 23

telecommunications equipment group, lifted pre-tax profits by 66 per cent last year from SKr1.06bn to SKr1.84bn

(\$289.3m). Page 19 MEXICO and the World Bank are expected to hold formal negotiations over three loans totalling \$1bn. Page 6

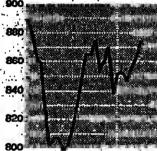
GEC-Marconi of the UK has been confirmed as Turkey's first choice for a military radio deal worth £90m (\$1.560m), possibly rising to £200m. Page 6 RENISON GOLDFIELDS Consolidated, 48 per cent-owned

to a record A\$35.3m (US\$31.5m). Page 24 KOOR INDUSTRIES, large industrial conglomerate in the Middle East, was reprieved from compulsory liquidation

NORTHWEST AIRLINES, US atrline, has ordered 10 Airbus A330 planes — the largest order to date for the European jets. NWA is the first US com-

services group, announced plans to issue up to \$500m of new variable dividend prefer-ence shares in the US. The move is set to add a new twist to the debate over the treat-ment of goodwill Page 19 COCOA futures market in London continued its recent rally with the May quotation gain-ing £10 to £874 a tonne. In the

2nd position futures (£ per tonne)



COLGATE PALMOLIVE, US household products group; reported a near doubling in

ERICSSON, leading Swedish

Australian arm of Consolidates Gold Fields of the UK, saw interim after-tax profit rise

following agreement in London on a debt repayment schedule for the company's bank creditors. Page 4

pany to order the aircraft. which cost \$86m and seat 308.

STOCK INDICES

New York closing

## Kohl insists decision on short-range nuclear missiles can wait

By David Marsh in Bonn

NATO has no need to take an early decision on introducing new short-range nuclear weap-ons for stationing in West Ger-many, Chancellor Helmut Kohl

las insisted.

In his strongest statement yet of West Germany's determination to defer a decision on replacing Lance missiles deployed in the Federal Republic, Mr Kohl said: "The Lance remains sufficient and intact until 1995... the real decision over the production (of a successor) will be in 1991-92."

West Germany believes that a firm move to modernise the Lance, sought by the US and Britain, would give the wrong signals to the Soviet Union and Eastern Europe at a time of

East-West detente.

R would also be highly unpopular with the West German electorate and the Chancellor is clearly hoping to prevent the modernisation question becom-ing a major issue in the gen-eral elections at the end of

In an interview with the

Financial Times, Mr Kohl crit-icised attempts abroad to make West German agreement over the Lance successor a test of loyalty to Nato. "It doesn't interest me at all if others see this is a sort of litmus test. I have to represent German interests, and I am a reliable partner."

He said he was optimistic that Nato could reach agree-ment on an "overall concept" for its future disarmament strategy with the Warsaw Pact

mit, probably in May. He rejected the idea of complete elimination of short-range nuclear weapons - those with a range of less than 500 kilometres. These will be the only land-based nuclear weapons left in Europe following removal of the longer-range missiles under the

The disarmament concepts under discussion – a 50 per cent cut in the superpowers'

"double zero" accord last year between the US and the Soviet

strategic arsenals, a ban on nemical weapons and then the reduction of conventional weapons and of sbort-range nuclear missiles – must be looked at as a whole, he said. "Under 500km, the goal of the negotiations must be that we should come down to lower

ceilings.
"I am e strict opponent of a third zero, because in a triple zero solution, our security would not be maintained." On other issues Mr Kohl, under pressure over West German companies' involvement in the suspected Libyan chemical weapons factory, countered by calling for details to be revealed of the companies from other countries contributing to the Libyan plant. "I am in favour of full exposure," he

He promised more stringent legislation to tighten controls on the export of materials for the production of chemical

Feature, Page 16

## Eurofighter deal may go to Ferranti despite W German opposition

By David Goodhart in Bonn

THE £2bn (\$3.5bn) order for the European Fighter 'Aircraft's radar system, one of the world's largest defence electronics orders, looks increasingly likely to go to the consortion lad by Execution of the UK tium led by Ferranti of the UK, although not without a bitter political battle between the British and West German Gov-

ernments.

The aircraft, which is being developed jointly by the UK, West Germany, Italy and Spain, will cost more than £21bn and should go into service in 1996. The gravest doubts about the project have been expressed in West Germany but all four countries agreed in May to support a proagreed in May to support a pro-totype development costing

The radar order is being con-tested between the Ferranti-led tested between the Ferranti-led consortium, which includes Fiar (Italy), Inisel (Spain) and Siemens (West Germany), and a consortium led by AEG (part of Daimler-Benz) of West Germany including Fiar and Inisel and the UK's GEC-Marconi. Siemens late entry into the Ferrand consortant is seen by some analysts as an attempt to prove to opponents of the Plesy bid in Britain's Ministry of Defence that the German company can compete with GEC in defence electronic

But the inclusion of Siemens in the Ferranti consortium will not make it easier for the Ger-

Indeed, because Siemens will probably take work that would have been sub-contracted to AEG, it will simply add a bat-tle between two of Germany's biggest defence groups to the conflict at Government level.

Although the Eurofighter consortium itself - British Aerospace (UK), MBB (West Germany), Aeritalia and CASA (Spain) – has made no decision on the radar, the Nato EFA Management Agency (NEFMA), consisting of suppos-edly objective government rep-resentatives, has decided to

back the Ferranti bid.
It appears, however, that the recent NEFMA recommendation was not unanimous. It is likely to have been backed by the UK, responsible for 33.3 per cent of the EFA project, and Italy (21 per cent), and rejected by West Germany (33.3 per cent), with Spain abstaining.

That majority recommenda-tion, which is said to have deeply shocked the German authorities, will now go to gov-ernment level where a compromise – possibly impolying the UK Government shouldering more of the risk for the radar - will be sought. German objections to the

Ferranti ECR 90 radar system centre on it being untried compared with the AEG MSD 2000 system which is based on the APG-65 system built by Hughes

ferred by the German military because it could be adapted for use in the Luftwaffe's F-4

The UK and Italy prefer the Ferranti system because it is more sophisticated and because it is not based on a US license which might mean future controls on exporting by

the Pentagon.
The Germans, however, see that as an added benefit because it would fit with their own self-imposed restrictions on arms sales outside Nato and avoid the arguments both within Germany and between Germany and its partners that have surfaced over exports of the three-nation Tornado

The view of the NEFMA majority is that only the Ferranti system will keep pace with Soviet systems and thus still be effective in 10 years'

Some officials say that the Vest German Government is indifferent between the two systems operationally but in order to persuade a sceptical defence establishment to accept the EFA project promised that the radar would be

The current dispute only

covers the £300m ear-marked

system but whichever consortium wins the development contract is almost certain to win the main production contion a month ago.

The main aim of the revised

George Bush reviews the text of his budget address speech in the Oval Office study yesterday

### Bush budget aims to emphasise determination on deficit cuts

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush was last night preparing to unveil spending and tax proposals aimed at achieving credibility for his commitment sharply to reduce the US federal budget

Before the President's address to Congress, leaders of the Democrat-controlled Senate and House were giving a cantiously favourable response to the broad outlines leaked by Administration officials in recent days:
The centrepiece will be pro-

posals to reduce the budget deficit for fiscal 1990 - which starts this October - to \$98bn: slightly below the \$100bn statutory target for the year. This compares with a \$92.5bn projection in the budget of the outgoing Reagan Administra-

Bush plan is to achieve greater credibility with both Congress and the financial markets than the Reagan budget, which was widely regarded as resting un unrealistic economic assump-

The package has been presented, in the words of Mr Richard Darman, the budget director, as "an opening gambit in negotiations with Congress." These discussions are likely to take several months, with fur-ther revisions to the economic and other assumptions in mid-A row is certain, however.

over proposals to cut capital gains tax for stocks and other non-depreciable assets held for at least a year. The longer-term aim is to introduce a sliding scale of tax with progressively lower rates the longer an asset is held. Democrat leaders have said that such a change would have to be matched by increases in other taxes on the

Professor Michael Boskin, the new chairman of the president's council of economic advisers, has endorsed the optimistic thrust of the Reagan medium-term forecasts. But for the immediate future he has projected a substantially

higher level of short-term interest rates than his predecessor. Faster than expected recent economic growth has, however, boosted projected revenue. President Bush has proposed

holding defence spending level in 1990 in real, inflation-ad-justed, terms. This compares

with a 2 per cent real term rise projected in the Reagan bud-get. However, a rise of more than \$250m in spending on education, or 10 per cent, has been posed in the Reagan budget. Moreover, an increase of roughly \$350m has been pro-posed for cleaning up deterior-

ating nuclear weapons plants over the total of \$1.4bn called for by former President Rea-

President Bush has proposed restoring most of a \$1.7hn cut in the Medicaid programme of medical assistance for the poor bnt has accepted a \$5bn reduc-tion in Medicare assistance for the disabled and the elderly.

## The AEG system is also pre-Europe, Pacific, US companies

By David Lascelles, Banking Editor, in London

launched yesterday.
The Intermediate Capital Group (ICG) has resources of \$200m (\$346m) and will specialise in supplying intermediate finance for buy-outs and simi-lar leveraged deals. This form of finance, also known as mez-zmine finance, lies between the two poles of equity and bank lending which are the main components of leveraged

The institutions are Charterhouse Development Capital, the Industrial Bank of Japan, Prudential Venture Managers, Edinburgh Investment Trust, James Capel, Shearson Leh-man Hutton, Westpac, Foreign & Colonial Ventures, and Banque Paribas. They are subscribing £45m of share capital.

the Bank of Scotland, Security Pacific and NatWest - are subscribing £155m of senior debt. ICG will have access to more funds if needed. The company, whose chairwas formed by six former exec-utives of Chemical Bank and Charterhouse who believed there was a conspicuous gap in the intermediate capital mar-ket, in contrast to an abundant supply of equity and loan

Mr Andrew Jackson, for-merly of Chemical, said: "It became apparent to us that there was an absence of reliable forms of finance between high risk equity and low risk senior debt." ICG claims to be the first independent supplier of intermediate finance which will also arrange deals in its

mediate capital will enable leveraged deals to be better structured. In particular it can help overcome cash flow problems, allow management to retain e larger investment share, and give greater flexibility. They expect their deals to include buy-outs and buy-ins, leveraged acquisitions, privati-sations, recapitalisations, employee share ownership plans and development capital. The finance might be put up

for returns on its investments of between 17 and 30 per cent.

mezzanine investment fund The growth of the market was underlined this week with the completion of another Lon-don-based mezzanine financing group, First Britannia Mezzanine. This was organised by Drexel Burnham Lambert, the which ploneered the junk bond market, itself a form of mezzanine finance. Like ICG, First Britannia will also have £200m in financial resources, provided by 30 unnamed backers. But Continued on Page 18

## form buy-out finance group

NINE FINANCIAL institutions from Europe, the Pacific region and the US are backing a new London-based leveraged finance company which was

In addition, two shareholders, Banque Paribas and West-pac, and three outside banks

man is Mr Norman Ireland, for-mer finance director of BTR.

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own right.
The ICG executives maintain that an improved flow of inter-

in the form of subordinated loans, equity warrants, preference shares or zero coupon

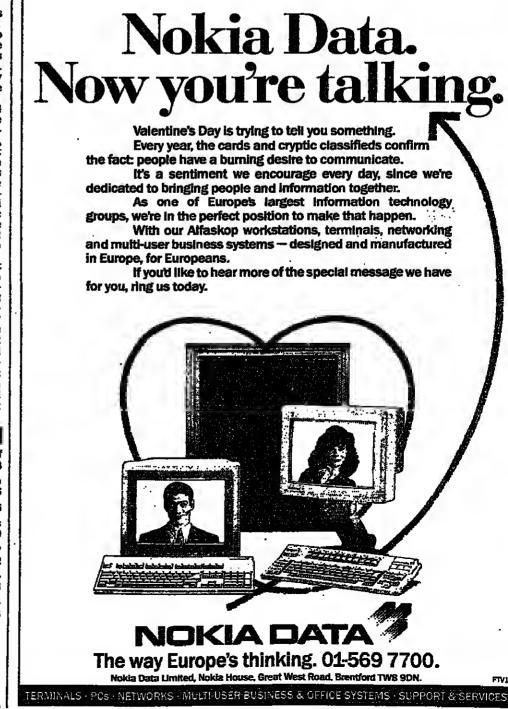
bonds. The company is looking

One aim of the group is to expand into Europe where leveraged finance activity is still in a relatively early stage.
Although the group has only
one European backer, Banque
Paribas, it is hoping for more.
The establishment of ICG

marks a further step in the gradual evolution of the Euro-

## pean leveraged finance market, which is trailing the market leaders in the US. Although many banks and institutions many panks and institutions are active investors, few are major players in the intermediate market, principally 3i Group and General Electric Capital Corp, which are active across a broad front. Standard Chartered has also set up e Wall Street investment bank Swedem Socialists braced for bitter wind of World Trade: Export Credits Guerentee Toronto: Polyglot city faces racial tensions ....6

## European Community: Some original ideas on the limits to free trade \_\_\_\_\_\_\_9 Technology: Parallel processing eagarly Editorial Comment: Bleak outlook for Afghan-37-41



New York closes \$1.7640 (1.7485) Hang Seng Index Dow Jones Ind. Av. 2,323.04 (-20.17) \$1.755 (1.7435) S&P Comp 296.06 (-2.60) FFr11.105 (same) SFr2.77 (2.7725) FT-SE 100 Y225.5 (228.00) 2,079.1 (-17.1) new year DOLLAR New York cit 145.73 (Weds) Jan '89' Feb INTEREST RATES FFr6.2875 (6.3665) Nikkel Ave 32,078.43 (+13.3) Federal Funda 9 % Y127.94 (129.425) (\$12) Treesury Sills: DML859 (1.8720) FFr6.3276 (6.8700)

Frenkfurt

1,695.8 (-5.4)

\$16.85 (-0.25) (Feb) West Tex Crude ..

\$17,375 (-0,29) (Mar)



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istan; Priority for tax reform ......

## West Germany's |Fiat drives hard for bigger share of Europe's market inflation rate exceeds forecast

By Dayld Goodhart in Bonn

THE WEST GERMAN statistics office yesterday announced the highest monthly inflation rate sinre June 1984 as well as the highest ever annual trade and current account surpluses.
None of the data was

nnexpected although the January inflation figure, which took the annual increase to 2.6 per cent, was slightly higher than earlier estimates. It was influenced by the recent increase in consumer taxes. By comparison, inflation in 1988 as

a whole was only 1.2 per cent.
The December trade figures
also outstripped some
expectations leaving an annual DM128bn (DM118bn in 1987) and a current account surplus up from DM80bn to DM85bn. With the West German Government expecting no change in the surpluses this year and some independent analysts, such as Phillips and Drew in London, expecting a small rise to DMI42bn in the trade surplus and close to DM100bn in the current account, pressure for a European Monetary System realignment may once more

The West German surplns has been sharply rising with other EC countries especially Britain, France and Italy — while falling with the US. The US surplus actually fell from DM24.3bn to DM16.6bn in 1988 with exports falling 8.4 per cent and imports

rising 13.7 per cent.
In the first 10 months of 1988 the surplus with the EC rose to DM66.8bn (DM50.9bn). In total for 1988 imports were up 6.3 per cent to DM439.7bn and exports np 5.2 per cent to

Using currency adjustment to help correct the growing West German surplus with the rest of the EC has recently been strongly opposed by the French Government, but some analysts believe that an EMS realignment is in the medium-term more likely than a more expansionist fiscal policy in West Germany. However, as West German

exports are concentrated in relatively price insensitive capital goods a realignment may have less effect than hoped. The last EMS realignment was nearly two

By John Wyles in Rome

BEHIND THE casual, almost careless, shrugs, there is more than a touch of irritation at Fiat Auto's Turin headquarters at the recent controversy as to at the recent controversy as to whether the Italian group or West Germany's Volkswagen captured the top slot in the European car market last year. If pressed, Fiat executives will concede generously that VW sat beside them at the summit in 1988; indeed, they will acknowledge gallantly that out of a market of 12.91m cars the sales can between the cars the sales gap between the two was maybe 12,000, maybe

20,000 vehicles.

But if the 12,000 difference was to VW's advantage, Flat claims it was because VW included Porsche cars assem-

Take out the vans, and Flat says it headed VW by 20,000. Nonsense, said a VW spokesman yesterday, Porsche cars are in Porsche's sales figures not VW's, while vans kitted out for up to nine passengers are defined as passenger cars

in West Germany.
Aside from this little statistical spat, last year was an amus mirabilis for Fiat Auto which, when the consolidated figures are published, is likely to have contributed 60 per cent or more of the Turin group's record operating profits of LS.820bn (£1.6bn). While some analysts have

ish around the same level as

Mr Paolo Bernardelli, Fiat Auto's sales director, believes that demand for new cars in Italy and Europe may have set-tled at a higher plateau because "the car is becoming more and more an individual asset and each family wants more mobility than can be offered by just one vehicle." He also thinks the changing international emphasization national environment and par-ticularly the strengthening of East-West detente – "the pros-pect of global peace," he calls it – is influencing consumer

If he is right, this will be a comfortable market back-

Auto's sale outside Italy as

quickly as possible.
No other European manufacturer dominates its home market as does Fiat with its 60 per cent of total sales, but neither is any as consequently vulner-able to import penetration.

The Italian company, like its

French counterparts, has not yet had to battle head-to-head with Japanese rivals on its own turf thanks to quota restrictions which last year limited Japanese sales to just 1 per cent of the domestic market. Italian deliveries accounted for 58 per cent of total Fiat, Lancia and Alfa. Romeo shipments worldwide last year, while the company's largest share of any other sin. tively small (212,139 units) Puriguese market. Maximum effort is being put

behind two objectives: developing and strengthening the dealer network and after-sales service, and overcoming the lingering doubts in some mar-kets about the quality and reli-

kets about the quality and reliability of Fiat cars.
On this last point the company believes itself to be totally competitive but, as Mr Bernardelli points out," a new car is an infrequent consumer purchase, and it can take several years to regain a dissastisfied customer."
Nevertheless, some progress is being made. In the UK, where Lancia sales were virtually wiped out at the end of the 1970s by recurrent rust prob-

1970s by recurrent rust prob-lems, deliveries of this marque

last year rose from 3,439 in 1987 to 4,072. Sales of the Flat hadge climbed from 68,576 to 75,113.

Meanwhile, the company's nursing of its dealer network is now particularly attantive. Individual dealer sales and profitability are closely monitored and elaborate attention is being given to standards of after sales service.

The West Enropean network will be expanded by another 150 dealers this year, despite the fact that, says Mr Bernardelli, the competition for prime city sites is becoming extremely sharp.

Flat believes that its attention to the grality of dealer

tion to the quality of dealer services is a winning card in relation not only to the European competition, but also the

## been forecasting a fall of up to 10 per cent in the European market this year, Fiat is expecting total demand to fin-Ciampi tries to focus politicians' eyes on dark economic skies

parliamentarians went about their daily tasks yesterday apparently quite untroubled by yet another warning from Mr Carlo Azeglio Clampi, the Governor of the Bank of Italy, that the nation's economic skies are continuing to darken and that immediata action must be taken to curb domestic demand and reduce government spending, writes John Wyles.

While many ordinary Italians were understandably more preoccupied by the air crash in the Azores, the body politic was devoting much of its vocal

ITALIAN MINISTERS and parliamentarians went about their daily tasks yesterday apparently quite energies to such pressing matters as a stress that work is pressing ahead on plans to reduce spending on health, the Communist and Socialist parties and the absorbing, if scarcely compre-hensible, barn dance being staged by the Christian Democratic party. When music stops at the party's congress next Saturday, Mr Ciriaco De Mita, the Prime Minister, may find his leader's throne occupied by another.

In between fevered consultations

with party friends and factional ene-mies, Mr De Mita is trying to give an impression that government has not completely ground to a halt. His aides

Mr Ciampi has been delivering regular warnings about the dangers of rising government deficits since 1984. Each year his language is a little stronger, his warnings more explicit. But each year the Italian economy has expanded satisfactorily to the extent that last year's growth rate was the highest this decade. Undeterred by the previous ineffec-tiveness of his strictures, Mr Ciampi

told a parliamentary committee on Tuesday that "a precious opportu-nity" had been lost last year to mount a credible attack on a budget deficit which is 11.5 per cent of gross domes-tic product and a total indebtedness which virtually equals GDP.
Instead, the 1988 deficit turned out

to be L124,000m (552m) or L10,000kn higher than targeted, while this year's budget shortfall would be above L130,000, against a target of L117,350hn. Public spending, said Mr Cismpi, was now running out of con-trol and strong reforms were urgently

needed. Demand in the real economy also needed to be restrained to halt a recent upward rise in inflation which was approaching an annual rate of 6

per cent. In the absence of political decisions, the Bank of Italy would have little alternative but to push interest rates even higher — in the full knowledge that the L83,000bn (in 1988) cost of debt servicing would climb steadily, that output may be reduced and that the lire's exchange rate - already unwelcomely steep for Italian business - would strengthen.

EC foreign

aid urged

By Robert Mauthner,

Diplomatic Correspondent THE SUBSTANTIAL aid given

by the European Community to its 66 African, Caribbean and Pacific associated coun-tries (ACP) should be used more effectively to help the

recipients achieve sustainable economic growth and build up their industries, Mr Christo-

pher Patten, British Minister for: Overseas Development, said in London yesterday. He also emphasised that the

ACP countries should take

greater advantage of what he described as "the most liberal trading regime on offer to any group of developing countries by any industrialised partner."

the minister was speaking ahead of next week's EC-ACP ministerial, meeting in Brazarville, part of the home agreement renegotiations, which began last October.

At was not surprising that trade was high on the Brazarville arenda, since it was a

ville agenda, since it was a

of foreign exchange for the ACP than sid, with a ratio of 3 to one, he said. The expansion of this trade was essential to

sustain the required economic progress in the ACP countries. In the first place, ACP exports had to become more competitive. "Even with free

sccess in a free world trading system it is no good if you cannot produce goods and ser-vices which people want to buy at competitive prices." Mr Patten said.

In this context, he underlined the importance of a vig-orous and flexible private sec-

orous and nextnee private sec-tor with adequate incentives and the right economic policy environment. That also meant that the ACP countries should

pursue sound policies to con-trol inflation and ensure that

their exchange rates and trade regimes encouraged exporters.

An economic climate which demonstrated the potential for sustained growth was the best way of attracting foreign

investment.

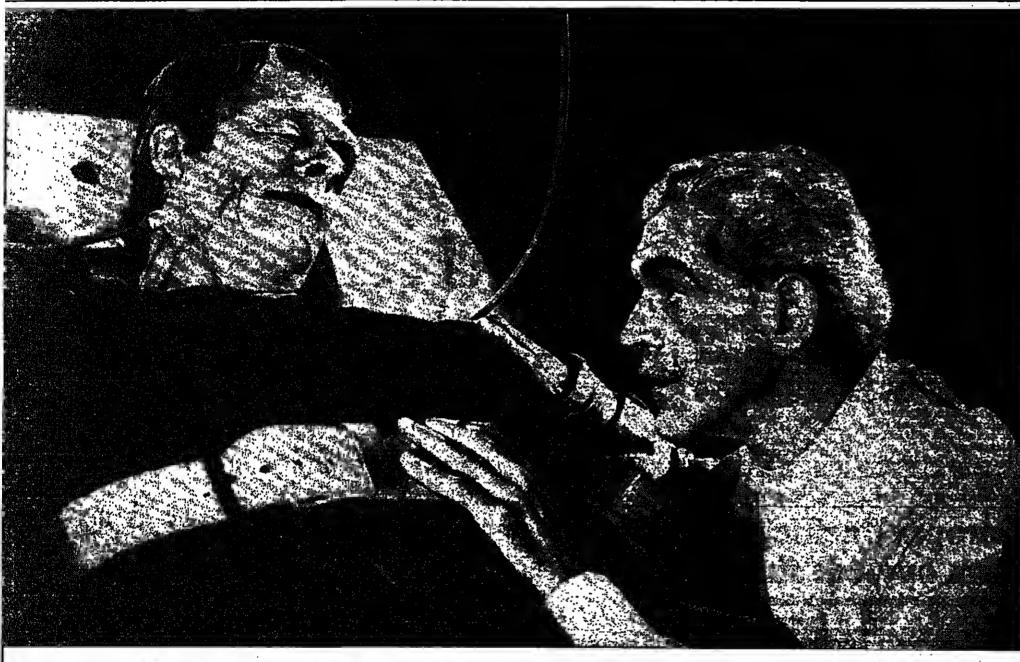
Mr Patten stressed that there was no question of a Tortress Europe after the creation of the EC single market in 1992. The latter would provide increased opportunities for ACP exports.

Nor should the ACP countries fear the reduction of trade barriers under the Uru-

guay Round of international trade negotiations, which should ultimately lead to an

expansion of world agricul-tural trade

Mr. Patten opposed any extension of ACP membership to Haiti and the Dominican Republic. They did not have the close links the other ACP members had with EC countries. If they were admitted, the precedent would open the association agreement to an large number of countries.



## **ARE YOU DOING ENOUGH RESEARCH BEFORE DEVELOPMENT?**

Allowed to go too far, ill-conceived new product ideas have a horrible tendency to take on a ghastly life of their own.

They can wreak havoc with costs. leaving a trail of horrified shareholders behind them. Which is why they have to be researched and targeted with laser-like precision.

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and technical information from databases containing details from over 20 million patents published worldwide.

An unrivalled source of information: most of which is unavailable elsewhere and free for unrestricted use. Which means that once a new product idea is run past one of our team of over 200 experts, he can immediately start a related search.

He can advise you on technical trends in that field. Competitive activity. Problems that may have cropped up with similar products and how they were solved. And, of course, whether or not the idea has been patented anywhere else.

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Or write to The Head of Marketing and Publicity, The Patent Office, State House, 66-71 High Holborn, London WC1R 4TP.



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#### Police storm | Better use of pickets at French jail

POLICE in riot gear yesterday fired tear gas and charged hun-dreds of prison officers picketing the gates of France's largest jail, at Fleury-Merogis, to clear the way for prisoners to be taken to court, Reuter

At the same time the ward-ers protest over penal reform proposals spread to prisons throughout France....

"If the police carry on like that the action will only get stronger," said a union official at Fleury-Merogis, where up to 5,000 remand prisoners are held. "We used strictly minimum

force. The only result was a few bruties on either side," the chief prison administrator Mr Jean-Pierre Dintilhac.

you interrupt men's visits, don't give them their tobacco or anything like that, you'd have them all on the roof."

However the Justice Minis-try has made it clear that it will not tolerate the discontion of court procedures by the obstruction of prisoners move

mems.

When protests by prison officers erupted last October, special overflow cells had to be opened for defendants locked out of prisons.

out of prisons.

All the major clashes so far have been between prison officers and police escorting the cers and police escorting the vans carrying prisoners into the falls. It is the forces of order, against the forces of order, commented officers at ficury.

A visitor leaving Fleury yesterday said there had been talk of riots among the prisoners.

Leadership in this dispute, which first erupted in Scotem-

Leadership in this dispute, which first erupted in September, has tended to be from the bottom up. This is probably one reason why the unions are taking a tough stand now.

Meanwhile a report of the government mediator, Mr Gilbert Bonnemaison has been rejected out of hand by the warders.

#### Swedish fighter showed earlier instability?

THE PROTOTYPE Swedish fighter which crashed on test last week had shown signs of instability on earlier flights, the chairman of an official the chairman of an official and the chairman of an official the chairman of an offici

Mr Lars Forssberg told a news conference that pilots who flew the JAS-39 Gripen on five test flights before the crash had noted that it was mostable when making language movements his said of the crash. The disturbances were too great. The wobbles just could not be controlled.

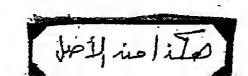
The committee, which has yet to present its final report, said further detailed investigation was needed to determine

the source of the problem.

The Gripen, Sweden's most expensive military project, was already two years behind schedule and more than allen over budget before the acci-dent, which destroyed the only prototype so far operational.

A single seat multi-purpose fighter, the Gripen is confused

Side of the state of the state



## Solidarity's envoy persuades the Belchatów strikers to go back to work Polish miners signal dislike of market solutions

ECONOMIC reformers in Poland, in the government camp as well as the banned Solidarity union, have received a powerful warning against moving too fast towards full-blown market solutions to the country's problems. It has come from workers at the Belchatow open-cast coal mine who ended a three-day strike there in the early hours of yes-

FEERLARY

terday morning.
In effect, the 12,000 strong workforce, who supply 37m tonnes of brown coal a year to one of Europe's largest conventional power stations nearby, have shown their suspicion of return was finked to an accord growing wage differentials and resistance to mounting infla-

The strike blew up in protest against a wage agreement signed by the official local union which gave higher paid groups larger percentage increases, while the lower paid benefited less.

It came as the Government. and Solidarity embarked on a series of "round-table" talks aimed at returning the union to legal status and at the same time setting in train reforms to boost efficiency and ease the country's economic plight.
But the Belchatow workers

clearly wanted more equality. This was partly a reaction to management commonly favouring its own Communist supporters but also reflected deep set traditional ways of thinking. It is to Solidarity, not market

SOLIDARITY and the Polish authorities yesterday opened formal talks on returning to legal status the free trade union which was banned in 1981 under martial law, writes

At the meeting Mr Alexander Kwasniewski, a government minister, reiterated that the principle that more than one union should be permitted to function in a factory had now been conceded by the authorities.

about forthcoming national elections through which the Government wants the union to enter Parliament in a minority role.

Solidarity for its part demanded that it be re-estab-

lished as a national union at one stroke, foregoing a gradmal reconstruction.

Mr Lech Walesa, the Solidarity leader (nictured right), who
attended the start of the talks,
later left for the south of the

mechanisms, that these work-

ers are looking to wrest prom-

ises of economic improvement coupled with social justice

from the Government. The

Communist party's prestige is at rock bottom, irrevocably it

seems. This is ironic, for it is the authorities themselves who

set in train the industrialisa-tion process which brought so

country and meetings with workers in Krakow and Biel-sko Biala as well as a visit to Poland's national shrine at Czestochowa. Before leaving

he told official Polish radio that he thought workers at presnet should refrain from striking and give the round-ta-

many of these workers off the farms and on to the shopfloor. The official union's credibility is also minimal, although it has now hoisted the populist hanner high to face the growing challenge from Solidarity.
At Belchatów, the strike was mainly in the hands of young Solidarity supporters, loyal to

Lech Walesa, and who were

members of the union in 1981 when it was still legal. Some, like Mr Zbigniew Matyjaszfor union activities

By the mid-1980s a mere 200 supporters wera still paying union dues at the plant, but now the movement has revived with a vengeance, recruiting 2,500 members during the first day of the strike. Nevertheless, the stoppage was an embarrassment to Solidarity's national leadership. and Mr Aloyzy Pietrzyk, a 37year-old miner who emerged as a leader during last August's industrial unrest, was duly sent down by Mr Walesa to

bring the strike to an end. It took him and local activists from nearby Lodz more than 24 hours to persuade the management to agree to renegotiate the pay agreement and the workers to come down from the ZI 30,000 (£33) a month interim payment they were demanding to match inflation in tha meanwhile. Last year, the average monthly wage at the mine reached ZI

All the while, Mr Pietryzk was having to answer tele-phone calls from the Solidarity team in Warsaw, worried that the strike had been provoked by party officials keen to torpedo the round-table talks and anxious to have it brought to

Thanks to his rhetorical abilities and the workers' fatigue, he finally managed to get them to agree to an interim payment of Zl 21,000, somewhat less than the management had been ready to offer. He even persuaded them to support a resolution calling on workers elsewhere not to strike for more pay at the moment - a move which will no doubt have been greeted with relief by the

#### Czechoslovak party accuses 'terrorists' of bomb attack

A BOMB severely damaged the town hall in Usti nad Labem, close to Czechoslovakia's border with East Germany, the Communist party daily news-paper, Rude Pravo, said yesterday, Renter reports from Pra-gue. It did not say if there were casualties from the

explosion on Wednesday. It called the bomb attack a "terrorist action" and followed several anonymous threats to blow up public buildings, department stores and schools in northern Bohemia.

"We shall not conceal the fact that there are forces in Czechoslovkia which will never reconcile themselves to

our social system," the report

Usti nad Labem, an industrial town about 100 miles north of Prague, is the capital of the north Bohemia region. In the past few weeks the official media have published reports of anonymous threats to the authorities following five days of demonstrations in central Prague last month which were broken np by police. They commemorated the 20th anniversary of the death of student Jan Palach, who set fire to himself in Prague's Wencesias Square in pro-test at the Soviet-led invasion

## Swedish Socialists braced for bitter wind of change

Robert Taylor on a party battling with reform

Social Democrats are in the midst of their own alasmost about the future of the party's ideology, which is turn-ing into a debate about fundamental principles.

This has urgeot relevance for the rest of the European democratic left in what is the hundredth anniversary year of both the Socialist International and the Swedish party.

At the end of April Willi Brandt, Bruno Kreisky, Neil Kinnock and other leading fig-nres gather in Stockhulm for the joint celebrations and they are fervent admirers of tha edisb road to Socialism.

But over recent weeks a seri-nus discussion has started among tha Swediah Social Democrats about what the party really stands for. It began on 2 January when the editor in chief of the LO unionowned evening newspaper, Aftonbladet, Mr Rolf Alsing, wrote a lengthy and critical article expressing anxiety about what he sees as the growing influence of economic liberal ideas inside the party, powerfully exemplified by the Minister of Finance Mr Kjell-Olof Feldt and the young free-wheeling Turks in his depart-

"I wanted to send out a mes sage to the government to be careful about embarking on rapid changes," says Mr Alsing. "It was also an attempt to calm and reassure rank and file party members." In fact, Mr Alsing's seminal

article bas triggered off a stream of pieces about the future of Social Democracy, which mainly reflect an under current of genuine alarm about the direction in which the party leadership appears to be

Yet until last week the irrepressible Mr Feldt seemed to be in an unchallengable posi-tion in his determined drive to turn Sweden into a more market orientated economy despite the doubts of Mr Alsing and his supporters.

However his senior cabinet colleague Mr Sten Andersson, the foreign minister, broke ranks with an article in the party's newspaper Arbetet that its belief in the welfare state performed successfully so often was a passionate defence of the for all, strong unions and in the past.

HE ruling Swedish values of the welfare state and social equality, from such a social Democrats are in attacked those in the party senior figure inside the governattacked those in the party who believe people who can should pay for their own bene-

> A former secretary of the party, a veteran Socialist with an impeccable working class background, Mr Andersson has acquired a growing international reputation since the murder of Olof Palme nearly three years ago, symbolised in December by his role as the honest broker seeking to reconcile Mr Yasser Arafat's PLO

An internal debate on the economic direction of one of Europe's oldest Socialist parties has triggered demands for new policies and reform

with sympathetic Israelis. Alongside Mr Feldt he is one of the two strong men in the Swedish Government and the fact that he decided to voice his concern at what is going on at the Ministry of Finance is a clear indication that Mr Feldt has a battle on his hands if he tries to push too far in a liberal market direction, which threatens to undermina basic Social Democratic principles.

"Right-wing ideas have got a foothold inside the party," wrote a worried Mr Andersson. He pointed out that when be travelled abroad he kept being told by those he met that the wanted to learn from the Swed ish model but when be came home be was bewildered to find he was being asked by people whether the party was still Socialist or not.

In his view Social Democrats have a clear vision of the more just and better society they wish to create.

He reinforced his message by closely identifying it with the party's leader in the nineteen thirties Mr Per Albin Hansson, who spoke of creating a Peo-ple's Home in Sweden based on solidarity and equality in a democratic society. This reaffirmation of tradi-

tional Social Democracy with

ment suggests there is a clear limit on how far Mr Feldt can go in turning Sweden into a more efficient, individualistic market economy without running into real trouble within

his own party. However, Mr Andersson is not a narrow-minded dogmatist. Indeed, like most Social Democrats be believes the pragmatism of the party explains why it has had such astonishing success in running the country for most of the past fifty years.

He remains convinced, how-ever, that the party cannot make an ideology out of merely running capitalism more effi-

His article has brought the inner party debate about the future economic management of Sweden nut into the npen The bitter attack nn the hig companies and the banks in last week's general debate in gests that he is anxious now to reconcile doubters in his own party, who fear radical change.

Moreover, last weekend it was revealed that a controversial discussion paper from the Ministry of Finance on the foture of the public services had been withdrawn for reappraisal after pressure from

within the party.

Mr Feldt bas promised to submit his plans to make Sweden's buge public sector more efficient in his supplementary

budget in the late spring.

Another indication of how the debate inside the Social Democrats is developing will appear in the early summer with the publication of the party's own analysis of its ideological future is to be puhlisbed in the preparation for its conference next year, which will set the agenda for the nineteen nineties. This should give a clear sign of bow the Feldt and Andersson strands inside the party are to be bal-

The current discussion is bound to become much less abstract as Social Democrats seek to marry principle with practice, an exercise they have

#### Koskotas move voted down By Andriana lerodiaconou in Athens

The state of the s parliamentary Deputies yesterday vetoed for the second time this month an opposition proposal to send a parliamentary delegation to the United States to question Mr George Koskotas, the former banker who is:

d urgei

4.7:2

in custody there.

Mr Koskotas fled to the US after being charged with fraud last October in a scandal which rocked the Greek Socialist Gov-

Meanwhile, a furious debate continued yesterday over allepations of a secret meeting in

SOCIALIST Mr George Louveris, who has. Deputies yester since been implicated in the Koskotas affair, and an Egyptian businessman who at the time faced charges of fraud and was harred from entering

The burning question was: did Mr Louvaris confirm that the insetting had taken place in testimony before a parliamen-tary fact finding committee on the Koakotas affair last Tues-

Mr Louvaris was forbidden to leave Greece and charged last week with receipt of crimi-Rome in 1985 between Mr nal proceeds on the basis of testimony that he had received Prime Minister, a friend of his, money from Mr Koskotas

packed in a box of disposable nappies. He has sued the two people who gave the testimony - both former bodyguards of Mr Koskotas.

The alleged Rome meeting was reported at Tuesday's hearing by the independent Deputy, Mr Gerassimos Arsenis, a former member of the Socialist party who was Recommy Minister in 1985.

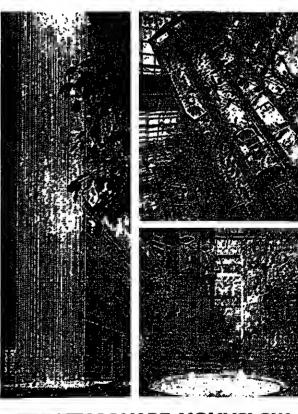
Greek press reports based on leaks claimed Mr Louvaris initially confirmed the meeting but reversed his testimony later in the day. However the committee chairman, a Socialist Deputy, denied the reports.







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opment by Wyndham Investments Ltd, the property hololing company of Affed Lyons Pension Funds in conjunction with Lesser Land.

## repayment lifts liquidation threat

THE THREAT of compulsory liquidation hanging over largest industrial conglomerate in the Middle East, was lifted yesterday following agreement in London on a debt repayment schedule for the company's

Koor said that on Sunday all parties to the dispute would notify the Tel Aviv District Court that agreement in princi-

ple has been reached.

A request will then be made by Bankers Trust of New York to withdraw the liquidation application it filed last year following the Israeli group's fail-ure to repay a \$20m (£11.47m) loan on time.

Concessions hy the three major Israeli hanks - Bank Hanoalim, Bank Leumi and Israei Discount Bank – who together hold two thirds of Koor's \$1.27bn debt, paved the way for an end to the fourmonth-long crisis which has virtually paralysed operations

In accordance with their demand, priority on the repay-ment of short-term deht will be given to the foreign creditors, who include Bankers Trust and Manufacturers Hanover, Barand South African banks. Repayment will commence in 1990 and be spread over a three-year period.
One Israeli banker insisted last night that concessions had been made by both sides. Nev-

ertheless, the local banks already saddled with a hefty write-off equivalent to over \$100m on their 1988 books will have to wait a further two years before seeing any of their money back.

A Koor spokesman con-firmed that the overseas banks had reacted critically to the early start the group has made in disposing of its assets without the supervision of the cred-They reportedly insisted on

participating in the decision-making process. A supervisory committee of Israeli and foreign banks will be established to monitor progress made on

programme.
The creditors' agreement is expected to be followed by a \$50m injection in new equity capital from the Israeli Treasury into Koor's depleted bal-

This should enable the troubled group to close its 1988 books with its debt/equity ratio on the right side of a critical threshhold set under the terms of a 1986 debentures issue in the US.

## Delhi in call for Westland inspection

By David Housego in New Delhi

THE Indian Government yesterday called for an inspection of the tail rotor drive systems of British-snpplied Westland helicopters after preliminary inquiries suggested a crash which killed three people on Tuesday was caused by a broken rotor shaft.

The Government also directed Pawan Hans, the company operating the Westlands in India. to review its maintenance procedures.

The crash occurred in the remote north-east province of Nagaland. It is the second crash of a Westland W-30, supplied to India under a British aid package, in less than eight months and reduces the W-90

fleet in India to 19.

Mr Roy Moxam, Westland's operations director in India, said yesterday that the Directorate General of Civil Avia-tion (DGCA), the office conhad not as yet been in contact

#### government permission to enter an area normally banned The DGCA said yesterday that preliminary investigations showed that the tail rotor drive shaft had not been rotating when the helicopter crashed and that it had been found broken. The pilot is said to have attempted an emergency land-ing after finding a defect in the

with Westland. "No-one has

said anything to us," he said. He and a colleague were due to

fly to Kohima, the capital of Nagaland today, after getting

Westland said last night that there were no previous reports of trouble with the rotor shaft and that the W-30 was an updated version of that used

on the Lynx. The W-30 has been a source of controversy in India both at the time of its acquisition and malfunctionings.

ISRAEL IS pressing the European Community to intro-duce legislation which would

prevent European companies

from yielding to Arab boycott measures, Mr Ariel Sharon, Israel's Trade and Industry

Minister, said in London yes

said there were many large corporations without links to

Israel, although he acknowledged it was always difficult to prove that this was the result

The Arab League's boycott office in Damascus keeps a blacklist of companies with

close Israeli connections, and the League's members are not

supposed to have dealings with

"We do ask that there will be

legislation that will make it impossible to impose a boycott on European corporations," Mr Sharon told a news conference. Israeli officials point to the US

and France as countries which

aiready heve regulations

from giving in to Arab pres-

guarded optimism about tha chances for resolving an Israe-

signed to prevent companies

Sharon expressed

of Arab pressure.

Mr Sharon, at the end of a European tour focusing on Israel's relations with the Com-munity in the run-up to 1992,

#### Iraq ready to Sharon urges EC to oppose resume talks Arab boycott on Gulf War By Victor Mallet

IRAQI Foreign Minister Tariq Aziz said yesterday he was ready to resume face-to-face negotiations with his Iranian counterpart, Reuter reports

from the United Nations.

Mr Aziz was speaking at the start of talks with with Mr Javier Perez de Cuéllar, the UN Secretary General. "We are prepared for substantive talks...but it depends on the other side," he said. "That's what we agreed to

have. The question of the place is not a hig problem, he added, allnding to the fact that two previous rounds of negotiations with Iranian Foreign Minister Ali Akbar Velayati took place in Geneva. Their last meeting was in November. Asked if he was ready to hold direct talks in New York, where he met Mr Perez de Cuellar yesterday, Mr Aziz replied: "Yes, why not?". The Iraqi minister also dismissed an announcement earlier by Mr Velayati in Madrid that iran would shortly release 260 wounded Iraqi prisoners of war. Mr Aziz said Tehran was 'bargaining in human flesh."
"They should have released

said, while welcoming the ase of any prisoners. The actual numbers of sick and wounded held hy each side had to be taken into account,

more than that number," he

he added, refering to the larger total held by Iran. In their talks in Geneva after the Gulf ceasefire was declared last August the two foreign ministers made little progress in implementing the other ele-ments of a peace plan - resolution 598 - adopted by the Security Council in July 1987. These include s troop with-

drawal to internationally recognised houndaries, the exchange of about 100,000 prisoners of war held by the two sides, establishment of an importial body to assess responsibility for the eightyear conflict, and the resolution of all outstanding issues between the two neighbours.

Iran wants priority given to the withdrawal of Iraqi troops from Iranian territory they continue to occupy, while Iraq has called for the clearing of the Shatt al-Arab waterway, blocked by silt and war debris.

## Koor deal on debt Bond tested as businessman with the golden touch

Chris Sherwell on the legal and political battles being waged by Australia's controversial entrepreneur

OR a man reputedly under intense pressure, the entrepre-neur Mr Alan Bond was this week displaying his best Australian "No worries" air, skiing in Colorado rather than standing by in Perth or Sydney, where the action was.
In Western Australia, the state

Labor government was fighting, successfully as it turned out, to retain power in an election which many said it could not possibly win. In the cam-paign Mr Bond decided he had enough riding on the outcome to go on his own television network and endorse Labor's leader, Mr Peter Dowding.

In Sydney, the Australian Broad-casting Tribunal was hearing last sub-missions from Mr Bond's lawyer in its inquiry into his fitness to hold radio and television licences. The tribunal is investigating three controversial incidents reflecting on Mr Bond's integrity and is due to pronounce on whether he has a case to answer

Yet this week Mr Bond was up in the snows - in touch regularly, of course, thanks to modern telecommunications, but in the Rockies none the

An American ski resort seemed an odd place to be, but then his pressing problems form a long list and are probably worth escaping for a while.

Take the tribunal. It is investigating Mr Bond's payment of A\$400,000 (£203,665) to former Queensland pre-mier Sir Joh Bjelke-Petersen in an out-of-court settlement to halt a defamation action against one of his television stations.

It is also examining his alleged threat to expose on his network the share dealings of Australia's largest institutional investor and the submission of faked news tapes to a radio

licence hearing.
Mr Bond says the matters have been answered satisfactorily. The tri-



Alan Bond: skiing out of trouble

bunal's lawyer insists he has not been "full and frank".

The tribunal has the power to make him sell his broadcasting interests. Snch a decision would remove an important cornerstone of an empire thet extends across the world into brewing, resources and property.

The outcome of the Western Aus-

tralian election was less palpably a problem. Realistically, it had to be assumed that a pro-business govern-ment of the Liberal and National parties and the state's most powerful businessman would inevitably find it necessary to deal with each other sensibly. That, however, was not the impres-

The catalogue of Bond Corporation's difficulties is formidable, quite apart from what may yet emerge in Western Australia in relation to Roth-

• A continuing onslaught from Mr

"Tiny" Rowland of Lourho, in which

Mr Bond has built up a sizeable
stake. Mr Rowland has now released
four critical documents suggesting Bond Corporation's finances are not only unreliable but shaky.

• A constant need to rebut specula-• A constant need to rebut speculation. Over the past two months alone rumours have had him dead, accused of insider trading, judged by certain regulatory authorities to be unfit to hold cartain positions, cut adrift by his bank lenders, and making forced sales of numerous assets. None has very hope array trans. yet been proven true:

 Delays in the proposed privatisation of Bond Corporation International in Hong Kong, first announced last October, and problems in buying out minorities in J.N. Taylor, another of the Bell companies of the Bell companies.

• A continuing battle, in and out of

sion conveyed by the four-week campaign. The opposition made "WA Inc" the main election issue, relentlessly attacking Labor's involvement inhusiness and with certain business friends over a period of six years.
It labelled Mr Bond "joint managing director" of "WA Inc", and zeroed in on the close relationship of both the Government and Mr Bond with Mr

Laurie Conneil. He neaded Romwells, the now-infamous finance house which, despite the injection of more than A\$600m, eventually collapsed in ignominy last November. Mr Bond's vulnerability was clear. In October 1987, it was he who persuaded the government and a group

Laurie Connell. He headed Rothwells,

court, with the Fairfax newspaper group, settled at last this week.

• An attack on his extensive brewing interests in Queensland, where a local company, Power Brewing, has snatched a significant share of the market after going public last year.

• A persistently weak share price.
This week, Bond Corporation stands at A\$1.65, well below its 12-month high of A\$2.35. According to a list of almost 50 "entrepreneurial" groups studied by the Stock Exchange's research service, Bond Corporation is the column to the control of the control o the only one with a negative net tan-

● A lowering of Bond Corporation's modest credit rating from BB minus to B, by the country's best-known credit agency, Australian Ratings. • Problems in Chile springing from his control of the country's telecom-

munications monopoly.

A weakening bullion price which, together with a strong Australian dollar, is making his extensive Australian gold interests look less attractions.

of Australia's most prominent busi-nessmen to become involved in an ultimately abortive ball-out of Roth-

Last year he again persuaded the Government to join him in buying Mr Connell's unstarted and controversial A\$1bn petrochemical plant project.

As the campaign wore on, a Labor defeat seemed to promise Mr Bond a heap of unwanted prohlems. The opposition promised to scrutinise the property, share and other dealings of government agencies such as the State Insurance Commission and the West Australian Development Corporation, and to "dismantle WA Inc" by

shutting down some agencies and removing "political" appointees in senior public positions.

Such plans put a big question mark over the Government's continued involvement in his petrochemical plant, over the shareholdings of the insurance Commission in Mr Bond's Bell Group and his "West Australian" morning newspaper, and over his property development plans in vari-ous parts of Perth and on the offshore

island of Rottnest. A public slanging match between Mr Bond and Mr Barry MacKinnon, the opposition leader, did not help. Mr MacKinnon alleged that Mr Bond had threatened him when he refused to back the first Rothwells rescue. His party accused Mr Bond of funding Labor's campaign, and of backing Labor through his nationwide television network and his newspaper.

sion network and his newspaper.

Mr Dowding, for his part, insisted before and during the campaign that "WA Inc" was dead, and promised greater accountability to prevent a repeat of past mistakes. He also included that he had recover school for insisted that he had never asked for Mr Bond's endorsement, which, he admitted, had caused unnecessary

"WA Inc" ended up being politically embarrassing and financially costly to Labor. But it did not stop the party's return for a record third term. Neither Mr Bond nor Bond Corporation have since made any public pronouncement. But if they are delighted, the outcome has not ended, or necessarily eased, their problems.

Few Australian businessmen can

have come so relentlessly under such pressure from so many different direc-

pressure from so many different directions in such a concentrated time.

Mr Bond is under siege and the arrows are flying. It will be remarkable if he and his talented executives keep them all out. The question is whether any could prove fatal.

**Philippines** 

makes US

claim over

By Richard Gourlay in Manila

THE PHILIPPINE Government

has presented evidence in a New Jersey court claiming that Westinghouse Electric of the

US and one of its subsidiaries

N-plant

#### 30 Indonesian Moslems killed by troops

AT LEAST 30 people have been killed after Indonesian troops attacked Moslem radicals in the province of South Sumatra earlier this week in the country's worst religious violence in over four years, writes John Murray Brown in Jakarta.

A military official yesterday described the clasb as "nnavoidable" after radicals, apparently armed with Molotov Cocktails and swords, had taken police and army hostages, attacked an isolated army post and killed four sol-

General Tri Sutrisno, the armed forces commander, yes-terday swiftly issued an "appeal for calm to maintain vigilance and national unity" Indonesia is the world's most populous Islamic country, with Moslems making up 90

> Reports of the incident remain sketchy. But according to officials it was staged by a previously unknown group calling itself the Commando Warriors of Allah. Officials warriors of Anan. Officials said the group used religion as a cover and had acted contrary to Islamic law. The group's leader, who was killed in the leader, who was killed in the fighting, had publicly attacked Pancasila, the state ideology. Pancasila effectively guaran-tees freedom of worship with-

out turning Indonesia into an Islamic state. It is resented by more radical Moslem groups. Since 1985, two Moslem rad-icals have been executed.

#### Chinese attacks on Mao grow

CHINA has edged nearer a more thorough condemnation of Mao Zedong the founding father of the communist state with the publication of an article in the Guangming Daily which declares that he "committed very hig mistakes indeed in his later years", Colina MacDougal writes. This article is en abridged version of the preface to a new book

In 1981 the Communist Party produced a resolution on Mao which, in effect, said much the same, but apart from thet document his responsibil-ity for the twin disasters of the Great Leap Forward and the Cultural Revolution is mostly overlooked. This is because the ruling party's legitimacy springs from Mao as victor in the civil war, and the present senior leader, Deng Xlaoping, was his close associate.

#### Today's shura seen as last chance for Kabul

## Gloom settles over Afghan deliberations

Christina Lamb reports from Islamabad on divisions among the Mujahideen independent Pushtunistan ing progress in securing the

7 ITH just five days to go before the last Soviet soldier leaves after over nine years of occupation more than 500 Afghans sit down today to try to agree on the country's future govern-

But there is little rejoicing among the Afghans that against all odds they have turned back the second invading power this century. Instead, a contradictory gloom seems to have descended on Peshawar, the Pakistani border town in which the resistance has its headquarters. The prize it seems is still elu-

sive. Kabul remains in the hands of President Najibuliah; the battle seems certain to go on. Although large contingents of the Afghan army are expected to cross sides, attempts to delayed while guerrilla commanders give the leaders of the seven Peshawar based parties a final chance to produce an alternative to force.

All hopes rest on today's shura (consultative assembly) in Rawalpindi. With continuing disputes among the Peshawar seven, the outlook is not good for what a senior Western diplomat describes as "the last chance for Kabul". If it fails

Afghanistan will fall into fratricidal bloodshed.
Optimism is fading that pressure of time would force agreement from the seven leaders whose differences are so great that in the past they have even drawn guns on each other.

Every day brings new statements from one of the Pesha-war seven criticising or rejecting a statement by another. Party officials, yet to learn the art of saying nothing, leave telephones off the hook, embarrassed that they have no answers for the growing hordes of journalists. "People are expecting specifics when all we can offer is con-fusion," said one party spokesman.

The share suggestion origi-nally emanated from Pakistan's Foreign Office which envisaged a broad-based coun-cil of 60 Afghans, many of whom would be from outside the alliance. The three moderate leaders wanted a bigger gathering to dilute the built-in majority of the four fundamentalist parties so the shura grew slowly but steadily to 519.

For once the Foreign Ministry, the resistance alliance and Pakistan's military intelligence (ISI), a key player in Afgban

olicy, seemed to agree.

However at the first alliance meeting in January to discuss the shara, it became evident that ISI had seen in it the opportunity to revive a flagging dream held by the late President Zia to install a fundamentalist government in damentalist government in Kabul, preferably headed by Mr Gulbuddin Hekmatyar. He is a hardliner who has spent the last 15 years in Pakistan supported by ISI, and who is the only leader to have given a guarantee not to raise the highly sensitive issue of an which would take in Pushtan lands currently within Pakistani territory. Under instruction from General Hamid Gul, the director of

ISI who was present at the meeting, Mr Hekmatyar, provoked a storm by suggesting that the first and only function of the shura should be to approve the proposed interim government of Mr Ahmad Shah which had been announced in June and subsequently forgotten, being widely considered completely unrepre-

considered competery unrepre-sentative.

Two of the parties walked out in protest but the third moderate, party remained encouraging Gen. Gul to think he had increased the four-three majority of the fundamentalists to five-two. Now all he had to do was ensure most of the 40 st of the 60 names nominated by each party voted the party line.

he Pakistan Foreign office was privately hor-rifled. One senior offi-cial said the Ahmad Shah government was "a travesty, representing all the worst folly of the alliance." For a while they considered.

stopping the shure and investigated ways of engineering a return of the exiled king Zahir Shah from Rome. However they realised that if the shura did not take place a worse fate could be in store for Afghanistan with Gen Gul still advocating a military solution.

Moreover Gen Gul was mak-

propaganda offensive to coincide with the opening of parlia-

Mr Vlok told a foreign press

support of some moderates by promising one, Mr Sibghatul-lah Mojadiddi, that he would lah Mojadiddi, that he would be head of state and another. Pir Gaylani, that elections would begin among Afghans on the day of the assembly to vote for an elected shara which would then have the right to veto the interim government. Nobody has explained yet how Afghans can possibly to go to any sort of polls today. Foreign office officials and

Western diplomats are hoping that the parties will lose control of the sharz. However, evidence points to the confrary with the seven Peshawar based parties taking 420 of the 519 seats. Some Important tribal leaders are boycotting the shura, while leading resistance commanders are unwilling to leave their posts within Afghanistan and so are sending less independent minded representatives from Pesha-war. Just in case there is any room for doubt, all émigrés

room for doubt, all emigres arriving from Europe and the US are being looked after and lobited by ISL.

Not everyone is pessimistic however. Although Abdul Haqtha main commander for the resistance in and around Kabul has little time for the Kabul, has little time for the party leaders he has great faith in the Afghan people.

Nine years ago when we picked up guns no one thought we could defeat the Russians. Now if we pick up pens why shouldn't we be able to form a

In a speech which echoed the

conciliatory tone of Mr P.W. de Klerk, the new National Party

right to live with others of their own race but no one

#### bribed former President Ferdinand-Marcos in order to secure a contract for a nuclear power plant that has never worked. "Westinghouse and Burns and Rowe (the designer of the Bataan nuclear power plant) not only bribed President Marcos to get the plant contract but used him as their pawn to obtain used single pawn to from the National Power Cor-

poration (NPC) of the Philippines," Mr Sedfrey Ordonez, the Philippine Justice Secretary, said the evidence filed on February 8 in the US showed. The evidence is the first presented since the Philippines sued the US companies last December alleging kickbacks and defects in the construction of the nuclear power plant the cost of which ballooned to

\$2.3bm.

Philippine officials said the evidence of bribery presented to the court provides sufficient to the court provides sufficient grounds to rescind the contracts between NPC and the US companies, thereby allowing the case to be heard in open court by a jury in the New Jersey court rather than in closed arbitration in Geneva as the courtract stimulation.

the contract stipulates. the contract stipulates.

President Corazon Aquino said yesterday that the evidence formed only part of Philippine efforts to retrieve the construction cost of the plant and damages including the \$310,000 a day interest charges now being paid on loans.

The Philippines realistically expects a long legal battle with Westinghouse, its subsidiary Westinghouse International and Burns and Rowe.

and Burns and Rowe.

"Aside from legal arguments that sustain the court's jurisdiction the Philippines asserts
that this kind of evidence
should not be hidden in arbitration proceedings," Mrs

Aquino said yesterday.

Mr Ordonez said the evidence filed included statements from a former solictor general,
Mr Marcoe's former executive secretary, who also opposed the contract, a former NPC general manager, a former Burns and Rowe executive and a Westinghouse salesman involved in procuring the con-

Westinghouse and Burns and Rowe have denied there were any illegal payments. They admit paying \$17m to compa-nies controlled by Mr Herminio Disini, a Marcos relative by marriage, but claim that the payments were legitimate com-

#### missions. INTERNATIONAL

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#### Klerk, the new National Party leader, he promised to take the lead in redefining legislation but stopped short of saying race classification was wrong. Restating a big policy change introduced last year, he said everyone should have the right to live with a thorough. briefing: "I don't have enough reason to take them (detainees) to court. But I have enough information that their activi-Progressive Federal Party opposition warned: "It seems to me we are looking at the ties were detrimental to the safety of the public or the maintenance of law and order

Lawyers support S African prison fast

By Anthony Robinson in Cape Town A GROUP of civil rights

lawyers yesterday began a two-day symbolic fast to draw attention to the plight of over 200 prisoners on hunger strike in South African jails in pro-test against detention without trial under the emergency laws. The hunger strike began 17

days ago at Johanneshurg's Diepkloof prison. According to lawyers 20 detainees, some in prison without trial for over two years, vowed to follow the same water, sugar and salt diet of the ten Irish Republican Army prisoners who died in 1981 after a hunger strike in protest against internment without trial in Northern

Since then the strike has spread to other jails around the Mr Coetsee said supporters mony a country, including Durban, of the strike were mounting a reform.

Withank and Port Elizabeth and grown into a big test of wills between detainees and the Government.

Mrs Helen Suzman of the ugly possibility of deaths in detention. That is the last thing South Africa can afford." Two senior government min-isters, Mr Adriaan Vlok, the Minister of Law and Order and Mr Kobie Costsee, the Minister of Justice, yesterday denied that prisoners were maltreated in jail and said the hunger strike would be dealt with "in a humane way." Lawyers said seven of the original 17 had

been taken to hospital already and placed on drips.

them guilty.

Agencies add: Mr Chris Hen-mis, South Africa's acting Pres-ident, yesterday said South Africa's apartheid laws were a

in the communities where they live." Then he added: "It is impossible to find witnesses prepared to testify in court and according to normal law it is not always possible to find them sullive."

"I believe we can find a defi-nition of groups that would make differentiation possible; but eliminate discrimination; that would ensure group pro-tection, but recognise individ-ical rights," he said. He did not say the main Africa's apartheid laws were a stumbling-block to racial harmony and called for their reform.

Africa's apartheid laws were a spartheid laws would be strapped but said they should be redefined to eliminate discrimination.

## Multinationals warned about violence against Korean workers

By Maggie Ford in Seoul

tile imports from Europe.

FOREIGN companies operating in South Korea who use vio-lence against trade unions are likely to face increasing antagonism from workers and the public in general, a senior union leader warned yester-

Mr Phee Jong Sun, director of international affairs at the Korean Federation of Metalworkers Unions, said that the use of hired hoodlums to attack trade unionists by US and Japanese companies had focused attention on the activities of multinationals. Several rallies and demon-

strations bave already been

held in protest at the behav-

iour of Motorola, the US semiconductor manufacturer, where several people have been seriously injured during a

union dispute.

Mr Phee said that his union was receiving strong support from the United Auto Workers in the US and the International Metalworkers' Federation based in Geneva in its fight to establish legal democratic

He believed that the aim of standardised wages wordwide in multinationals was a fair one on the principle that in the long term more profits should be shared with workers. White collar workers at

banks, insurance and financial service companies with foreign ownership in South Korea have also recently formed an umbrella organisation with several thousand members. These professionals agree that in due course they should be paid comparable wages to other staff abroad. Mr Phee said that the flare-

ups of violence had heightened

awareness of the need for dem-

ocratic unions in foreign com-

panies, to contribute to the independence of the country as Korea endured a particularly repressive colonial Japanese regime for 35 years until 1945.

and the US is increasingly viewed in a bad light by many people who regard it as having supported dictatorial rule.
The union leader predicted however, that strikes would again decrease this year as unions and employers gained more experience in negotia-tion. Defence industries, in

which strikes are banned, could be hard hit, he said, but noted that managements and unions in public sector companies such as Posco, the steel maker, had developed good relations.

Mr Phee strongly criticised both Government and opposi-tion parties for failing to revise

the repressive labour laws drawn up under the former military regime. Foreign employers have also criticised the law which provides little guidance now that the political

realities have changed.

A particular problem relates to the issue of whether single or multiple unions should be allowed. At some companies such as the giant Samsung conglomerate, "yellow" pro-management unions have been registered by the company under the present single union rule. Democratic representative unions are thus banned

from registering. Government policy on South

Korean labour relations since President Roh Tae Woo took power last year has officially focused on even treatment of both sides; along with encouragement for them to sort out their differences on their

own.

But events at the shippard owned by Hyundai, the kinge business group, where police are now implicated in a violent. attack on union leaders by a group of hoodbane hired by the company, suggest that the pol-icy has been selectively applied Mr. Phee said that workers still felt the Government was trying to repress

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## Washington halts talks on sale of **S&L** institutions

By Lionel Barber in Washington

the sale of ailing savings and loan institutions, and scrapped the policy offering deferred government guarantees and other debt obligations to inves-

The decision means only "legally binding" agreements with investors will be honoured, jeopardising dozens of deals under oegotiation before President Bush announced his \$50bn (£29bn) S&L industry bailout on Monday.

The new policy was announced by the Federal Deposit Insurance Agency (FDIC), which under the Bush plan assumed control of 200 insolvent S&Ls (thrifts). It bows to Congressional critics who said a number of billiondollar deals struck last December by the Federal Home Loan Bank Board and its insurance arm (FSLIC) — at that time the S&Ls regulator — were at best

The deals involved governbreaks to investors such as Ford Motor, and two noted corporate raiders, the Bass brothers of Texas and Mr RonRevion, which committed the board to \$20bn inture pay-

the FDIC, which oversees com-mercial banks, will assume control of the sick S&Ls and manage them until money is approved for their liquidation or sale. The funds are subject to approval by Congress, which may also choose to alter some of the regulatory arrangements proposed by Mr Bush.

The FDIC has indicated that it cannot unscramble the deals which the FSLIC struck at the end of 1988, but it may seek to renegotiate some of the terms.

Separately, a row has broken out between commercial banks and S&Ls over the use by thrifts of the FDIC seal guaran-

they understood that the FSLIC and FDIC insurance funds would be separate. The commercial banks do not want to be identified with the trou-bled thrift industry, but the Bush plan seems certain to drive the two industries closer

By Canute James in Kingston

TEARGAS was used to break up crowds as Jamaicans voted in yesterday's general election, But sporadic political violence failed to deter voters, and there were indications of a high turnout in the first contested general election in the island since 1980.

gunmen fired into a group of voters, bringing the death toll in the campaign to 12. Several people have been injured in party political clashes during the past four weeks.

servative Jamaica Labour

THE US Government has ald Perelman, chairman of suspended all negotiations for Revion, which committed the

Under the Bush proposals,

teeing desposit insurance. Bankers are furious because

### Teargas used as Jamaicans vote

Seaga, the Prime Minister for the past eight years, and the social democrat People's National Party, led by Mr Michael Manley, a former prime minister. Public opinion polls have suggested a defeat

Soldiers and policemen guarded polling stations, but this did not prevent several cases of attempted fraud. During the campaign both Mr Seaga and Mr Manley frequently appealed to their sup-

ports to remain calm, amid fears that political violence, which has become common to Jamaican elections, would affect voting.

#### **Argentine** inflation battle faltering

By Gary Mead in Buenos Aires

ARGENTINE President Raul Alfonsin's seven-month battle to control inflation seemed to he faltering yesterday as reports emerged that retailers were marking np some con-sumer goods by as much as 40 per cent, and that inflation for the first week of February reached 4.4 per cent, the high-est weekly figure since August

Shopkeepers suspended their previously ready acceptance of credit cards, following a week in which the local currency – the austral – plunged by almost 50 per cent against the dollar on the black market

Retailers were reacting to the confusion and suspicion which followed hard on the heels of exchange rate adjust-ments announced last Monday, under which a free-floating black market rate was re-in-troduced by an economic team under pressure to stem a variunder pressure to stem a vari-ety of structural problems, at least until after presidential

elections in May.

By yesterday the black-market austral had settled at 25 to
the dollar, against 17 a week

ago.

Both retailers and consumers fear that the downward trend of inflation before December bottomed ont in November at 5.7 per cent (for the month), and that December's figure of 6.8 per cent and Language 8.9 per cent indicate January's 8.9 per cent indicate the failure of last August's emergency anti-inflation pack-

#### Cuban rights group

AN unofficial human rights group, Cnba's fourth, has emerged from the split of the country's oldest dissident organisation, Reuter reports

from Havana The Marti Human Rights Committee, named after Cuban national hero Jose Marti, announced its creation in Havana on Wednesday

might.
The organisation is a splinter group from the Human Rights Committee, originally founded by Ricardo Bofill,

## Polyglot city faces racial tensions

Toronto's harmonious image is under threat, reports David Owen

AST month's Mismi race riots struck a chord in wintry Toronto, which is experiencing its own upsurge in racial tension fol-lowing two police shootings of black men in less than six

In August, a 44-year-old male was killed in his bedroom after police responded to a call about a man wielding a knife. Four months later, a 17-year-old suburban youth was gun-ned down at the wheel of a

stolen car.

Manslaughter charges were recently laid against officers in both cases. But this has failed to placate leaders of the city's estimated 260,000-strong black community, who warn of dire consequences if incidents of alleged police bigotry and vic-timisation continue.

The increasingly tense situa-tion has yet to erupt into Miami-style violence. But it has prompted a bont of soul-searching in this affluent and now admirably polyglot city of 3.4m, which has come to pride itself on its tolerance and inter-racial harmony. "We're racist – but oh-so-polite," con-cluded the Toronto Star – the area's biggest selling newspa-per – recently. The assertion followed a three-month investigation into discrimination in the region.

The problems in Canada's

principal metropolitan centre are just the latest in a series of race-related outbursts that are contriving to mar the country's image as a repository of multi-

cultural concord. Incidents have occurred

is, after all, a comparatively recent phenomenon. (Indige-nous Canadians were deprived Nova Scotia - where black and white pupils at a local high school aquared off for three days last month in a series of scuffles - to Vancou-ver - where resentment towards the area's growing and generally well-heeled east Asian community is on the increase, fuelled partly by scar-

ing property prices.

A wide range of minorities has been affected, from relative

of the right to vote until 1960.) There is little doubt that dis-criminatory measures – such as those which all but barred immigration from India in 1907 and altogether halted Chinese immigration sixteen years later - were essentially in tune with the public sentiment of the day. The xenophobic reaction of

nineteenth-century proposals

to people the then empty Canadian west with east Europeans.

Degrees of prejudice are notoriously volatile and diffi-

notoriously volatile and diffi-cult to measure. Nonetheless, a recent study on national atti-tudes organised by Mr Joseph Fletcher, a political science professor at the University of Toronto, has come no with some disconcerting findings.

"We're racist — but oh-so-polite." concluded the Toronto Star after a three-month probe into discrimination. the Anglophone east to interior minister Clifford Sifton's late

110,000 Sikhs, who have at times felt collectively vilified in the wake of terrorist incidents like the Air-India bombing of 1985, to indigenous Canadians whose frustration with govarnment patarnalism appears to be growing. Ten-sions between Anglo- and Francophone communities in predominantly French-speak-ing Quebec have also escalated since December, following the promulgation of a new lan-

promulgation of a new lan-guage law.

The volume and diversity of the recent flashpoints prompts one to question whether the steady progress in Canadian multicultural legislation that has become apparent since the end of the Second World War and the drafting of the Univer-sal Declaration of Human Rights in 1943 has coincided. Rights in 1948 has coincided with a corresponding diminu-tion of prejudice.

The country's enviable reputation for inter-racial harmony

ment: "All races are certainly not equal when it comes to the things that count most." With the assertion: "Some breeds of people are naturally better than others," the consent rate was 23 per cent. Finally, 74 per cent of the sample agreed that: "Minorities hring discrimination upon themselves." An unrelated earlier survey conducted in 1972 had found that 69 per cent of respondents were 69 per cent of respondents were prepared to endorse the same

Such findings suggest that Canada has contrived to avoid the worst of the racial probthe worst of the racial prob-lems that have plagued the US less through the relative lack of prejudice of the average Canadian (as is often fondly imagined) than through more copious resort to legislative tools like stricter immigration controls and more generous

was quite typical in this regard. The Toronto Mail and Empire described the newcom-ers as "the waifs and strays of Europe, the lost tribes of mancontrols and more generous social programmes.

For a country whose declining birth rate will oblige it to open its doors wider to immigrants – and perhaps to further racial friction – or countenance a decline in its already sparsely-scattered population within 20 years, that inference should provide considerable food for thought. kind and the freaks of cre-Some 20 years later, the cele-brated Winnipeg general strike was ended partly by a bill pro-viding for the deportation, under certain circumstances, of foreign-born Canadian citi-

food for thought.
In the words of Mr Fletcher: "It is particularly dangerous if we do not recognise in our-selves the extent of racial prej-udice that we have." Canada can ill-afford to be smug if its generally excellent post-war race relations record is to remain a justifiable source of national pride.

#### North trial halted on security Fully 30 per cent of those sampled, for example, were prepared to endorse the stateconcerns

THE TRIAL of former Marine Lt Col Oliver North was halted by a US Appeals Court yester-day because of national security concerns, AP reports from

US District Judge Gerhard Gesell announced in court that an administrative stay has

been entered" by a panel of the US Circuit Court of Appeals. The administrative stay resulted from an attempt by the Justice Department to stop the proceedings out of concern that more stringent controls should be placed on Col North's plans to produce exten-

North's plans to produce extensiva amounts of classified material in his defence.

Shortly before the stay was announced, a jury of nine women and three men was selected, and Judge Gesell declared his intention to permit the prosecution to begin opening arguments.

Judge Gesell had denied a motion by the Justice Department for a stay of the trial pending the outcoma of its appeal to the higher court.

Mr Ron Noble, a Justice Department deputy, then went immediately to the US Court of Appeals in an attempt to get the trial stopped.

Appeals in an attempt to get the trial stopped.

At issue is whether national security will be threatened by disclosure of classified information during Col North's trial on charges of shredding evidence and lying to Congress in

an attempt to cover up arms sales to Iran, and the subse-quent diversion of the profits to Nicaraguan Contra rebels. The Justice Department stepped into the case on Wednesday by demanding cen-sorship control over classified documents that the dafence wants to enter as evidence. That position was also opposed by Mr Lawrence Walsh, the

independent counsel who is prosecuting Mr North, a former White House national security side. Tha indge called the department's intervention in the case "one of the most frivolous motions I have ever seen." Judge Gesell said that the only person who may make an appeal in the case is the inde-pendent counsel. But Mr Noble responded that "the Government'a position is that the right to appeal is the attorney general's."

One woman was killed when

Just over 1m people were eli-gible to vote for either the con-Party, led by Mr Edward

#### World Bank and IMF set for talks on Mexican loans

By Stephen Fidler in Washington

MEXICO and the World Bank are expected to enter into for-mal negotiations soon ovar three loans totalling \$1bn. The new sector adjustment loans, details of which emerged after talks between Mr Barber Conable, the World Bank president, and Mr Pedro Aspe, the Mexican Finance Minister, could be dishursed by the end

of the Bank's financial year on Mr Aspe is in Washington this week for talks with inter-

national economic organisa-tions and US officials over the country's finance needs.

The loans would be of roughly equal size and support reforms in three sectors of the economy: industrial and government enterprises, trade, and finance. A further \$250m industrial restructuring loan awaits final approval from the World Bank board.

Mexico is seeking an annual \$7bn to bridge its financing gap for the next few years.

guarantees

likely to be

scrutinised

THE FUTURE of the Britain's

Export Credits Guarantee Department is likely to come under fresh Government scru-

tiny after a revised set of

show a continuing, although much reduced, deficit of 285.77m in the year to March

1988. The ECGD is a Government

agency which provides guarantees for export credit finance.

The unexpected size of the deficit for 1986-87 is almost

By Peter Montagnon

#### Two US financiers charged with \$38bn tax fraud

By Anatole Kaletsky in New York

TWO well-known US financiers have been indicted by a Fedhave been indicted by a Federal grand jury for what is alleged to be one of the biggest tax frauds ever against the US Internal Revenue Service.

One of the defendants, Mr Jon Edelman, is the brother of Mr Asher Edelman, the Wall Street takeover specialist. The other, Mr Bernhard Manko, is an investment manager.

They were charged OR They were charged on Wednesday in the Federal District Court of New York with

carrying out \$38bn (£22bn) worth of fraudulent transactions in US government securi-ties in order to create \$511m of false tax deductions for their clients between 1982 and 1996.
These clients invested with
Mr Edelman and Mr Manko as
limited partners in a number
of investment partnerships.
They were then able to deduct
the partnerships' losses from the partnerships' losses from their personal fax returns.

Both Mr Edelman and Mr. Manko denied any wrongdoing,

#### **WORLD TRADE NEWS**

#### BTR unit wins £40m tyre plant contracts

By John Griffiths

CONTRACTS worth £40m to set up or expand vehicle tyre plants in China, Iraq, Nigeria and Zimbabwe have been awarded to Dnnlop International Technology (DITL), owned by the UK-based BTR industrial conglomerate

DITL is one of the companies acquired hy BTR in 1985 as part of its takeover of Dunlop Holdings. However, most of Dunlop's tyre-making activities had previously been sold to Sumitomo of Japan, and DITL's main function within BTR has been to continue developing tyre-manufacturing technology to sell on to other

The largest of the contracts is for £21.2m, to develop a 150,000 nnits a year plant making radial tyres for trucks in China's Sichuan province. A DITL subsidiary, Dunlop International Projects is to aupply the manufacturing technology, basic engineering design, product technology and training, as well as mainly UK-sourced plant and equipment.

The contract is the third for

DITL from the Chinese authorities since contacts were first established in the early 1980s. Two previous contracts, for tyre plants in Guangzhou and Liaoning provinces, had a combined value of £23.6m.

Work has already begun on the Iraqi contract, which is worth £16m and involves a plant to produce a wide variety of car, commercial vehicle and tractor tyres and with a capacity of 2m units a year.
DITL is supplying an engineering design service, specialised equipment, know-how and training, plus advice for ten years.

The other two contracts, with a combined value of around £3m, are to increase output of radial tyres for cars from 100,000 to 500,000 a year at the Dunlop Nigeria plant in Lagos, and to help Dunlop Zimbabwe develop a new design of truck tyre to cope with arduous operating conditions in central Africa.

BTR has snhstantial shareholdings in hoth companies, as well as stakes in some other small-scale producers in Africa, the Middle East and Caribbean.

## UK groups plan consortia UK export Debt crisis figures mask in bid to boost Soviet trade

By Peter Montagnon, World Trade Editor

SEVERAL British companies are considering forming con-sortia in order to raise their profile in Anglo-Soviet trade and undertake larger joint ven-tures, a senior Department of Trade and Industry official said yesterday.

Briefing journalists on this week's visit to Britain by Mr Vladimir Kamentsev, a Soviet trade minister, the official said

that consortia were under con-sideration in both the pulp and paper sector and in food pro-cessing. The idea of consortia originated in the US where it was pioneered by Chevron. Rank Xerox and Beloit Walmsley are discussing the possibility of a venture which would provida UK paper-making and photocopying machin-ery in exchange for Soviet sup-plies of timber and cellulose for paper manufacture. APV, the food processing machinery concern, has proposed a con-sortium involving companies such as Allied Lyons, Unilever and United Biscuits in the food

One of the purposes of such consortia would be to help the

the defence industry.

The first stage of the deal would involve 3,000 high-fre-

quency radios for the Turkish

armed forces, made at the new plant, with deliveries sched-uled over seven years. This might later be extended to a

total of 7,000 units over 15

During a recent visit to London, Mr Ercan Vuralhan, the Turkish Defence Minister, said

that for the long-term £200m

deal Turkey would be seeking an ECGD-backed loan facility

Turkey has made clear that if negotiations with GEC-Mar-coni fall, Siemens of West Ger-

of £70m-£80m.



Vladimir Kamentsev: UK visit

Soviet Union boost its exports to create the resources needed for upgrading its own industry. In the food processing sector this is complicated, however, by the pressing need for the Soviet Union to improve food supplies to its shops. This may not leave much left over for export. One suggestion has

be negotiated. The Turks have

indicated that they would seek

export custom from Pakistan

to Algeria, but the UK group is

unlikely to be ready to relin-quish its place in Gulf markets. GEC-Marconi is also compet-

ing for another Turkish con-

tract worth up to £200m to sup-

ply alectronic warfare equipment for fighter aircraft.

been that an eventual consortium might be able to take a supply of chemicals from the Soviet Union instead. Though the UK is running a substantial deficit with the

Soviet Union, its main purchases are still in the area of raw materials. "One has to recognise the relative weakness of Soviet manufacturing and the difficulty of finding a British market for Soviet goods," the official said.

Following Mr Kamentsev's visit, John Brown is also now looking at a possible expansion of its £100m contract to build two polyethylene plants signed last tree.

However, a senior Soviet banker warned that the mere signature of a fresh trade finance protocol this week should not lead to expectations anound not lead to expectations of an automatic increase in UK exports to the Soviet Union. The UK "will have to be competitive" if the Soviet Union is to draw on its fresh supply of trade credit, said Mr Eduard Gostev of the Bank for Foreign Economic Affairs. APV'a high hopes, Page 16

## sports car plan

hy Mazda's own plans for a sports car, by mistaken predictions about the strengthening Australian dollar, and by US legislation requiring convert-ibles to include an "airbag" passive restraint.

Mr Bill Dix, Ford Australia president, said the latest plans

allowed more time to develop

an airbag system.

## Ford Australia's

Capri sports car export project, reported recently to be in doubt, has been altered, writes Chris Sherwell in Sydney. The company will now produce for the home market before beginning exports to the US.

The change follows a visit to the group's Melbourne plant by Mr Allan Gilmour, head of international congrations at the

The two-seater convertible is based on Ford's successful Laser, which is the same as the

what he regarded as inadequate provisions for potential losses on sovereign debt held by ECGD as a result of devel-oping country debt reschedul-

Under its new accounting system ECGD has sharply increased these provisions and put them for the first time into its profit and loss account.

## improvement at ECGD

By Peter Montagnon, World Trade Editor

WHEN it produced its results lower." Similarly the rise in borrowfor 1986/7 a year ago, the Export Credits Guarantee Department (ECGD) immedi-ately came in for a barrage of

criticism for presenting too rosy a picture of its affairs. accounts published yesterday revealed a loss of more than £1bn (\$1.74bn) in the 1986-87 Now, with yeaterday's announcement of sobering financial year.

The accounts, incorporating changes recommended by the House of Commons Public revisions to these accounts, it runs the risk of having painted Accounts Committee and the National Andit Office, also

too dark an image.
The tangles it has had with both the National Audit Office and tha House of Commons Public Accounts Committee over the past year are the prod-uct of the inability of even the most experienced accountants to gauge the true damage to its business wrought by the devel-

oping country debt crisis.

It is the lurch from positive to negative in its assessment of this overhang of historical problems that produced the headline deficit figures in yesterday's accounts but the certain to finel the debate over the growing cost to the tax-payer of export credit support in the wake of the developing country debt crisis. terday's accounts, hat the resulting figures mask the fact that ECGD's current business outlook has markedly improved, especially in the area of short-term export credit insurance which covers 75 per cent of its business.

Admittedly its accounts are Admittedly its accounts are peppered with bad news: claim

payments are up by over £200m to a record £387m; horrowings from the Government's consolidated fund are expected to reach £1.8bn in the current year to end March; premium income declined in 1987/8 by £19m to £140.6m; and total provisions for losses now stand at £2.3bn against a figure of £1.1bn originally reported for 1986/7.

Yet the common feature of most of these items is that in one way or another they are all the consequences of exposure to developing countries before the debt crisis struck in the early 1980s. Of the total claim payments,

for example, no less than saism are due to what ECGD calls political events, which in fact means tha deht Mr Malcolm Stephens, ECGD

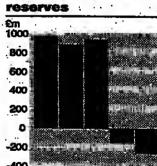
Chief Executive, says the claim payments are "a sign both of the support exporters have had and a sign of the severity of the debt problem still in the system." Claim payments will again be high this year, "but I hope to see them slightly borders in surrance is increasing rapidly, and in the three months to January this year as close as the ECGD ever had the annual rate of increase to putting a figure on the cumulative cost to the tar payer of its operations. The figure again be high this year, "but I hope to see them slightly income of £4m to £75.4m. Mr

Similarly the rise in borrowings from the Government, expected to reach £1.8bn at the end of the current year, reflects the way in which claims have lagged recoveres because of the long-term nature of the debt problem.

Recovaries, which are lumped together in the accounts with interest received on rescheduled debts, fell to

on rescheduled debts, fell to £322m in 1987/8 from £395m previously, but this fall largely reflects the fact that ECGD did not undertake any refinancing of rescheduled debt in the capi-

**ECGD** cumulative



tal markets during the year in

cal markets during the year in question.
Such refinancing, which was once enthusiastically embraced as an idea by ECGD, is now looked at more warily in ECGD's Ludgate Hill headquarters in London.
Future operations will only be undertaken if there is a clear cost saving over the price

clear cost saving over the price of borrowing from the consoli-dated fund and if the borrower in question can demonstrate a clear chance of being able to repay the loan on maturity.

When current husiness trends are examined, however, the situation begins to look a little better. ECGD has managed to push up the total vol-ume of exports insured by 10 per cent to £14.98bn. Turnover in short term-ex-

port insurance is increasing rapidly, and in the three months to January this year the annual rate of increase

Stephens says the rapid response system for short term export credit insurance appli-cations has hoosted turnover without sacrificing quality. The average premium rate has been increased and the huyer-loss ratio by which claim levels are assessed has improved.

According to yesterday'a accounts the short term division made a positive contribution of £26.7m in 1987/8 to ECGD's overall result.

This is in stark contrast to the credit insurance facilities run by the longer term projects division. These made a negative contribution of £113.2m and premium income fell by

£24.4m to £60.5m. Here too, however, there are some signs of improvement. Though business was basically flat in 1987/8 it has begun to pick up now with higher orders in both the aerospace and defence sectors and new oppor-tunities emerging in countries like the Soviet Union.

like the Soviet Union.

Mr Stephens says new business being taken on hy the project group is "more than washing its own face."

Recovery in the project sector is bound to be slow, however, and one conclusion that may be drawn from these results is that they underline the radically different nature of long term export credit insurance in difficult markets insurance in difficult markets compared to short term export

credit insurance which is

increasingly orientated to developed countries and may well rise further with the advent of the single European market in 1992. That could give grounds for Mr Robert Kemp, the former ECGD official who is currently conducting a review of its operations, to conclude that the two businesses should be

separated.
His report is not dna till April, however, and such a conclusion would have to take account of the need to revite ise the project insurance divi-sion which has given rise to so many of ECGD's current prob-

Finally, the accounts come as close as the ECGD ever has to putting a figure on the cumulative cost to the tarpayer of its operations. The figures show the department has notched up a deficit of £251.7m

#### Exporters are worried that this will be used by the Government as an excuse to curb ECGD ahility to support exports. A group of them, including companies such as Hawker Siddeley, Balfour Beatty and Davy Coroporation, has begun lobbying in Whitehall and Parilament for measures to allow ECGD to write down historic debts. Turkey opts for GEC in £90m military radio deal enters low gear By David White, Defence Correspondent FORD Anstralia's ambitious down historic debts. TURKEY has confirmed GEC-Marconi of the UK as its first choice for a military radio many will be asked to take its The ECGD's future is the place and that third priority will go to the other British The ECGP's future is the subject of a fundamental internal review due to be presented to ministers in April. This could lead to a recommendation that the more profitable short term export insurance division be hived off to the private sector or at least given a more independant status. deal worth £90m, possibly ris-ing to £200m. The British group now has group in the competition, Ples-GEC Marconi is proposing to make its Scimitar H secure tacto negotiate details of the con-tract, which includes the set-ting-up of production facilities in Turkey as part of the coun-try's bid to establish itself in

make its Scimitar H secure tac-tical radio near Istanbul, where it has already registered a com-pany. It is looking for a Turk-ish shareholding of up to 49 per cent in the venture, which would employ about 500 in the first stage of the project. The Turkish requirement international operations at the US parent in Detroit, who had said there was "a possibility" the project would be halted. includes production of additional radios for export, but what segment of the market the British group would give to its Turkish affiliate remains to

Mazda 323. Ford owns 25 per cent of Mazda.
Its future had been clouded

## ECGD, which insures export-ers against default by their overseas clients, had reported an operating surplus of £177m for 1986-87, but this figure was questioned last year by the Comptroller General. He qualified the accounts because of

## Water company accounts face price rise scrutiny

By Richard Evans and Philip Stephens in London and Tim Dickson in Brussels

who implement their threat to impose charge increases from April 1 of from 30 to 50 per cent are to be scrutinised by Govarnment-appointed accoun-

rth tria

Ministers are determined to persuade the company chiefs to moderate their politically embarrassing price rises to bring them more into line with the average of 9.8 per cent agreed by the 10 regional water authorities due to be privatised

in November. As the 29 statutory companies are already in the private sector ministers have no direct control over their finances, but the amount of pressure they can exert is considerable.

As a first step, the accounts of any company putting in for undafinad "excessive" increases will be sent for scrutiny to the accountancy firm of Deloitte Haskins & Sells, Government advisers on water privatisation

A report will be sent to Mr-Nicholas Ridley, Environment Secretary, giving an assess-ment of the valid claim for higher investment, pins a fac-tor regarded as unreasonable. Mr Ridley will then demand a reduction, and if this is not forthcoming, warn the offend-ing company that its high price rise will be taken into account when the post-privatisation charging formula of the rate of inflation pins or minus K

comes into effect There was every sign last night that the companies, who argue that the high price rises are essential in order to pre-pare them for the new regulatory regime that privatisation

BALANCE sheets of all will bring and to bring them vatised authorities. statutory water companies up to the charging levels of

most authorities. In two other significant the conflict on water purity standards between the UK Government and the European Commission, and a climbdown by the Government on the guaranteed standards scheme designed to protect consumers by imposing penalties on water undertakings for supply fail-

and Brussels is potentially by far the most serious of the flurry of difficulties that has recently bit the Government's

recently hit the Government's water privatisation plans. There appeared yesterday to be a continuing gulf in understanding, with both Mr Ridley and Mr Michael Howard, the minister responsible for the water industry, masting there was no problem and the Commission repeating its refusal to consider any exemption, or derogation, for the UK from derogation, for the UK from the increasingly strict EC

Mr Howard firmly rejected that any dispute with Brussels over the introduction of new standards might delay privati-sation. He insisted there was "no issue of substance" with the Commission and it was "inconceivable" that an agreement would not be reached to allow the water flotation to go ahead in November.

He said the Government saw 1995 as a reasonable target date for compliance with the drinking water rules, which were introduced in 1985, and he added that this would not

His relaxed approach was not reflected in Brussels. where the Commission developments yesterday, there repeated its refusal to consider was continued confusion over any formal exemption to the

water purity directives. A spokesman added, however, that Brussels was "open to suggestions" on how the Water Bill now before the British Parliament could be made compat-

ible with EC law.

As Brussels officials see it, the key question is whether res. and how quickly the Govern-The conflict between London ment and the authorities can come up with a compliance programme acceptable to the Commission. The question is also raised of to what extent the Commission could constitutionally give its blessing to the continued production of

the continued production of impure water supplies.

"The law is in force, it was agreed by the member states so it is not for us to grant any derogation," the spokesman insisted.

teed standards scheme published yesterday confirms that water suppliers will be liable to pay a penalty of £5 a day to each household where water is cut off for 24 hours a day without warning. For planned interruptions, the fine will be Hable for every day water is not supplied after normal ser-vice is supposed to resume.

The £5 will also be payable every time a company fails to ceep an appointment and when most written complaints are not replied to within 10 working days.

But in a last minute inclu sion, strikes are among the exemptions which will mean necessarily apply to all the pri- the penalty will not apply.

A promotional video for the cheme has been sent by the health authority to the 50 leading employers in and around Cheltenham urging them to

to receive a positive response from the business community.

Sponsors will be expected to

enter into five year contracts.

**UK NEWS** 

By Alan Pike, Social Affairs Correspondent

were yesterday offered wide-

ranging opportunities to sponsor the National Health Service

in what is believed to be the

first scheme of its kind in

teams of doctors and nurses.

launch the scheme follows a

market research exercise

Cheltenham and District health authority in Gloucestershire, sonthern England, is inviting businesses to sponsor consider hospital sponsorship. hospitals, wards and even This stresses the potential ben-efits to a company's image in in return for providing cash, the community, and points out sponsoring companies would be able to display their names that a former generation of philanthropic employers - like Cadbury and the Great West-ern Railway - provided hospi-tals for their workers in preand logos on hospital premises The authority's decision to

Cheltenham health authority

COMMERCIAL organisations which indicated that it is likely has a health service budget of £40m a year, but officials say they would like several hundred thousand pounds more to employ additional consultants and to improve services to

patients. Mr David Leahy, chairman of the authority, said yesterday he hoped the spon-sorship scheme would raise at least £250,000 in its first year. Mr Jim Hammond, general manager of the district health anthority, said that the admin-istrative body would consider

Cheltenham district launches first such scheme in Britain with view to raising £250,000 in first year

Health authority solicits commercial sponsorship

any sponsorship ideas which commercial organisations pro-posed. This could involve naming hospital wards after spon-

their logos on vehicles and

Companies might also be willing to sponsor a particular consultant's post or medical team. But ideas which conflicted with health poli-cy - like tobacco company sponsorship - would

He believed doctors and nurses would be willing to display a sponsor's logo on their uniforms if this formed part of a deal. "If a small logo on a surgeon's greens (operating theatre coat) allows him to do things he would not otherwise be able to do, I ask 'why not?" soring companies, or using The scheme was criticised by

bealth service union leaders yesterday. They believe it is evidence of a growing trend towards NHS hospitals having to look for commercial support

However, Mr Hammond said that initial soundings among staff at Cheltenham indicated that they would support spon-sorship schemes provided these led to improved services.

He accepted that sponsors were likely to be disproportion-ately interested in high-profile, glamorous hospital activities. But this does not matter, because if we increase our overall income as a result of sponsorship schemes, all services will benefit."

## Government hastens pace of Civil Service relocation

and uniforms.

UP TO 34,000 Civil Service jobs could be moved ont of London and the south-east of England over the next few years. The figure represents 15 per cent of

these jobs in the region. Mr Peter Brooke, Paymaster General, stated this yesterday in a written parliamentary answer which indicates that ministers are giving some urgency to the question of moving more civil servants away from the most congested part of Britain.

This is partly in response to pressure from Mrs Margaret Thatcher, the Prime Minister, who wants the Civil Service to set an example to the private sector by moving to the

regions. In addition, the Treasury is forcing the Civil Service to face up to the costs of operating in London and the south east by

imposing a squeeze on its run-ning costs. Over the next three years departments have been told to find savings of 1.5 per cent a year in the costs of

administration and pay. The difficulties in the south east of finding staff, particularly in the clerical and secretarial grades, is another factor which favours relocation. The Treasury's offer this week of ? per cent pay increases this year to 195,000 junior civil servants, with extra payments to staff in London, reflects a national recruitment problem which is accentuated in Lon-

Mr Brooke emphasised that not all the jobs under review would move. Many of the departmental exercises are still at a very early stage so that it is not possible to predict accu-rately how many jobs will be

The swiftening pace with which relocation is being considered is reflected in the decision by ministers over the past year to commit their departments to moving 3,000 jobs out of London and the south east. They include more than 1,000 Department of Social Security jobs which will go to Glasgow, Beifast and Wigan, and 850 Patent Office jobs going to Newport, South Wales.

The Government's programme of setting np agencies for the executive wing of the civil service, as recommended in The Next Steps report, is likely to intensify the cost advantages of operating out of the south east.

About 80 per cent of the total 573,000 Civil Service jobs are already outside London and the south-east.

#### Travelling on business by air in France?

Complimentary copies of the Financial Times are available on scheduled flights from: Paris - Air France, Lufthansa, UTA, Thai International, Saudi Arabian Airlines Japan Airlines, British Airways, Air India, Air Afrique, TAAG Angola Airlines, Swissair, Air Canada, Sabena, TWA, SAS, Air Lanka, Kuwait Airways, Finnair, Pan Am, Singapore Airlines, Egypt Air, Wardair Delta Airlines, Air Inter, Cathay Pacific, American Airlines, Pakistan International Airlines. Bordeaux - Air France. Marseille - Air France, British Airways. Strasbourg - Air France, Air Inter. Toulouse - Air France. Nice - Air France, British Airways, SAS, Pan Am, Heliair.

**FINANCIAL TIMES** 

#### **Cautious** advice for Chancellor on tax cuts

By Peter Norman, **Economics Correspondent** 

THE BANK of England Lawson, the Chancellor, to act cautiously if he was planning tax cuts in his Budget on:

March 14. In its latest Quarterly Bulletin, the Bank said it was unsure whether the sharp rise in bank base rates to the curcent in the second half of last year would have the desired effect of curbing domestic demand sufficiently to reduce

Although Britain's current account balance of payments deficit appeared to have stabilised, the Bank warned that this year it was likely to top last year's £14.3bn (\$24.9bn). "Only if the improvement through this year were even more rapid than the deteriora-tion through last year, would 1989's deficit be lower than

1988's £14bn," it said.
While a slowdown in consumer spending was likely, the Bank said it would take another three to six months before the main effects of the interest rate rise become apparent - implying that it would not favour a base rate cut around the time of the Budget.

The Bulletin did not spell out the Bank's advice on fiscal policy, but made clear any tax cuts should be kept to a mini-mum. It said "significant" Bud-get surpluses "may persist for several years" and advised that the authorities should remain cautious until the indicators provide stronger evidence that the slowdown is under way."

Implicit in the Bank's report is the belief that any income tax changes next month should focus on the statutory indexation of tax free allowances and any cut in the present 25 per cent basic rate of tax should be

The Bank said there were signs the progressive tighten-ing of monetary policy was beginning to take effect. The interest rate increases of last summer have contributed to a deceleration in the growth of M0, which measures mainly notes and coins in circulation, and a slowdown in of lending. The sharp rise in house prices has slowed, first in the southeast around London and subsequently in other parts of Britain, while retail sales have also appeared to be more sub-

Underlying the Bank's approach is the belief that the risk of not controlling inflation is greater than the risk of an excessive downturn in economic activity.

The bulletin warned that labour costs had emerged as a significant force behind the rise in inflation with no sign that earnings growth had mod-erated in any sector in recent

It also reported that, measured over the long-term, UK labour productivity had grown at an average of 3 per cent a year in the 1980s.

### **Nuclear power levy** set for 8% after power privatisation

By John Mason and Max Wilkinson

about 8 per cent will be about 10 per cent based on Mr Charged when the electricity industry is privatised, the Gov-

stage of the Electricity Bill will efficient as expected and coal surprise the industry.

This is because the bill states that the levy must be based on contract prices between generating companies and distributors. However, these contracts do not exist, and the industry is still arguing about the basis on which they should be written and not even preliminary figures have been attached to drafts.

After privatisation, the cost of nuclear electricity will depend crucially on the valuanegend crucially on the valua-tion of nuclear power stations when they are sold. This is cer-tain to be much less than the values which the Central Elec-tricity. Generating Board (CEGB) uses at present to cal-

(CEGB) uses at present to car-culate its costs.

Mr Spicer told the commit-tee, however, that his estimate of the size of the nuclear levy was based roughly on the CEGB's present cost estimates. in an unpublished paper, Mr John Baker, the CEGB's man-aging director, said that nuclear power cost about 43
per cent more than power from
fossil fuel at present.
Mr Spicer said this indicated
a cost differential of about 10

per cent, but aides explained afterwards that he meant that

A NUCLEAR power levy of the nuclear levy would be

einment announced yesterday.

At present prices this would mean a transfer of about 2500m about 8 per cent, Mr Spicer a year to the nuclear sector said. The levy could fall to from power stations burning coel, oil or gas. The levy figure, given Mr phased out and eventually dis-Michael Spicer, Junior Energy appear if the pressurised water Minister, during the committee reactor programme proves as

prices rise, he said. Mr Tony Blair, the opposition Labour Party's Energy spokesman, said that this amounted to the Government finally admitting the levy was a "nuclear tax", costing domes-tic consumers £20 a year, to underwrite the PWR pro-

He said the levy could rise, since initial forecasts of nuclear programme costs

always proved too low.

The Electricity Bill imposes upon the supply companies an obligation to buy a fixed quota of their power from nuclear reactors, which will be run by National Power, the larger of the two generating companies. the two generating companies to be created by privatisation.

to be created by privatisation.

The extra cost of nuclear power, above that from coal stations, is passed on to consumers through the levy, the size of which will be published by suppliers.

Although not yet fixed, the quota level will be about 15 to 20 per cent of total needs, keeping the nuclear contribution at

ing the nuclear contribution at present levels. The "ring fencing" of nuclear power is intended to increase the security of supply by ensuring a diversity of sources.

### Stock Exchange to probe Chamberlain shares rise

By Philip Coggan

STOCK Exchange surveillance department is investigating a sudden rise in the share price of Chamberlain Phipps, the shoe components and speciality chemicals com-pany, before yesterday's announcement of a £71.8m allshare offer from Evode, the

Chamberlain's share price rose 11p to 154p on Wednesday and then jumped a further 20p in early trading yesterday. Byode, which acquired a 4 per cent stake in Chamberlain last August, said it had hoped to secure a recommendation from the Chamberlain board.

However, in view of the sharp share price increase, Evode said it had reluctantly concluded there was no alter-native to making an immediate

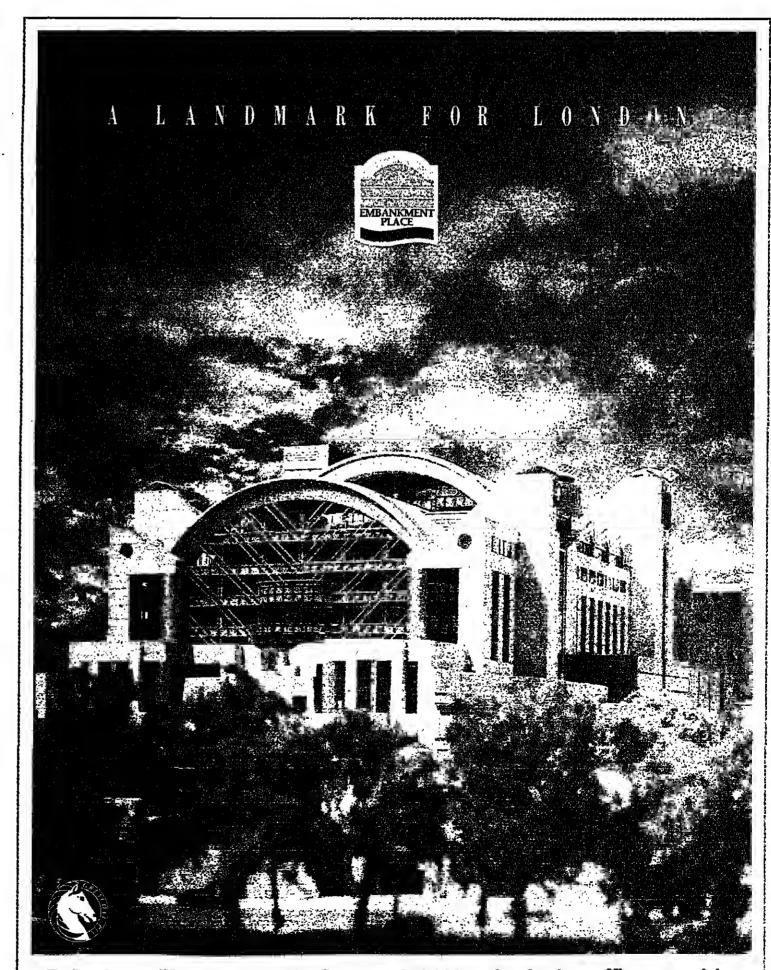
Last night, Chamberlain issued a statement recommend-ing shareholders to take no

Evode said it had had discussions with Mr David Chamberlain, Chamberlain Phipps' chairman, over the past few weeks about the commercial the two groups. However, these talks had not discussed financial terms nor were the two sets of advisers, Morgan Gren-fell (for Evode) or Baring Brothers (for Chamberlain)

In its statement, Evode said that the combination of its adhesives and sealants division with that of Chamberlain Phipps would create a world player in that market, with turnover of over £75m.

Last year, Evode made pre-tax profits of £9.04m on turn-over of £122.4m while Chamberlain Phipps made profits of £7.57m on turnover of £120.6m. The terms of the offer are one Evode share for every share in Chamberlain Phipps, although accepting Chamber-lain holders will not be entitled to Evode's 8.83p final dividend. Shareholders will be entitled to elect to receive preference shares, carrying an 8 per cent yield, in respect of one quarter of their holdings. Evode is also offering 100p for every Cham-berlain preference share. Last night Evoda character Last night, Evode shares closed down 11p to 194p; Cham-

berlain's were up 43p at 197p.



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## Racial equality body faces finance crisis

By Jimmy Burns Labour Staff

THE COMMISSION for Racial Equality is facing a potentially crippling cash crisis which has forced the Government to allocate £100,000 in extra funds.
The CRE yesterday blamed continuing Government under-

funding for its inability to carry out a number of duties with which it is entrusted under the Race Relations Act.
The CRE expected this to be the second successive year in which it will turning away some requests for legal assis-tance in industrial tribunal cases of alleged racial discrimination. Last year 25 application were turned away for financial

Mr Peter Sanders, chief execmir Peter Sanders, chief executive, said yesterday: "Our situation is extremely difficult financially . . unless there are substantial changes in legisletion and our finances we cannot see there being any substantial reduction in the level of racial discrimination." The way CRE's effectiveness

has been hit because of underfunding include: Abandoning an annual £40,000 bursary for a business development course in the US. Delays in the publication of a key survey into employers' adherence to the CRE's Code of

 Delays in the disbursement of over £780,000 committed in the CRE's budget for special training and community pro-

Staffs cuts in the CRE and within the Community Relations Councils through which the commission liaise with local authorities on housing

local authorities ou housing and education programmes.

After a pattern of recent years, government funding to the CRE over the last year had not kept pace with inflation. The CRE's annual budget for 1988-89 was £11.16m compared with £10.8m in 1987-8S, and commission officials privately indicate that the extra £100,000 will barely suffice to pay off pending bills.

As a result the CRE is thought to be in the process of

thought to be in the process of drawing np a strategic plan to present to the Government within the uext few weeks, with a call for a substantial increase in future funding.

## Egg sales 'a third down'

UK EGG consumption is a after the slump in orders third below the level of this before Christmas. time last year and more chickens will have to be destroyed, ciation said supermarket sales the industry warned yesterday, were down by about 20 per Sales had appeared to be cent.

said this was mainly because virus salmonella in British egg retailers had been restocking production.

The UK Egg Producers Asso-

returning to normal after The drop in sales follows a Christmas but the industry row over the incidence of the Smith Kline ruling boosts generic drug makers

## Law lords uphold procedures for copying pharmaceuticals

By Peter Marsh and Raymond Hughes

BRITAIN'S generic drugs industry received a boost yes terday as a result of a House of Lords judgment upholding the legality of the way companies gain product licences for making copies of branded pharma-

The decision may also lead to further ructions hetween Britain's makers of generic medications and the branded

drugs sector.
This business includes big UK-owned companies such as Glazo and Beecham as well as UK subsidiaries of many overseas pharmaceuticals groups.

Generic drugs account for annual UK sales of some £200m, or roughly 10 per cent of the National Health Service's pharmaceuticals spend-

They are copies of hranded medications which can be made when the pateuts ou these products expire and which are normally cheaper. Yesterday's ruling concerned

a long-running tussle between the UK subsidiary of Smith Kline & French Laboratories (SKF) - a pharmaceutical company owned by SmithKline Beckman, a US healthcare group – and the Department of Health.

The dispute has been widely seen in the drugs industry as a test case with implications extending over the general lic-ensing process by which gener-ics companies gain product approvals from the Health Department.

in recent years the UK geuerics business has often been at odds with companies in the mainstream branded-medicines sector, some of which have accused the generics pro-ducers of undercutting their profits and damaging the health of the cutire drugs busi-

Some of the branded-prod- the licensing authority, could ucts companies complain that not discharge its duties to safe-their high spending on guard the nation's health and research and development to treat all applicants fairly makes them entitled to longer periods of patent protection on their products. That move would automatically decrease the activities of the generics

industry.
In yesterday's ruling, Lord
Templeman, one of the Law
Lords, said SKF had been trying to "harass and obstruct" the Health Department's con-sideration of liceuce applicatious. These had involved requests by several generics companies to produce copies of Tagamet, a best-selling anti-ul-cer drug made by the US com-

pany.

Lord Templeman said that SKF had been trying, through a campaign in parliament and the courts, to prolong its monopoly on Tagamet, which has annual UK sales of about £50m, beyond the statutory

In the judgment, Lord Tem-pleman and four other Law Lords unanimously rejected SKF's appeal against an earlier Court of Appeal ruling last

This court had concluded that the Health Department, when deciding whether to allow copies of patented formu-lations to be made and mar-keted, was entitled to use con-fidential information on patient trials supplied to it by the holder of the patent on the

original drug.

The Health Department "should not be deterred from exercising its rights and pow ers so as to ensure public safety and fairness to all appli-cants, whether or not they resort to campaigns and litiga-tion," Lord Templeman said.

guard the nation's health and to treat all applicants fairly unless it could make use of all available information, confidential or otherwise.

SKF had contested applica-tions by Generics (UK) and Harris Pharmaceuticals – two producers of generic drugs for licences to make, import and sell copies of Tagamet. under UK patent legislation.

Tagamet was available for copying last March.

SKF, the judge said, understandably objected to Tagamet being copied by Generics (UK),

Its argument was based on the proposition that if a prod-uct was worth copying the law should protect it against being copied. "That is not the law,"

Harris or anyone else.

Lord Templeman said.

SKF said yesterday it was disappointed by the ruling and that it could make it less likely for branded drugs companies to want to spend cash on research and development in Britain.

Mr Michael Clark, a director of Generics (UK), said he was delighted. "We hope to have our version of Tagamet available in the next few months."

The Health Department said it was pleased by the judgment as it underscored its right to use data supplied by hrandeddrugs makers when considering applications from compa-nies which wanted to make their own versions of branded

Mr Martin Paltnoi, a drugs industry consultant who speci alises in the generic-pharmaceuticals sector, said the ruling was a boost for the entire generics industry.

## A favourable wind which still blows a chill

Michael Prowse assesses the bid to encourage science studies

VISIT almost any British university and you will find that while the scientists and engineers are not exactly euphoric, they are less depressed than colleagues in the humanities.

Their high spirits reflect one of the enduring policy priori-ties of the 1980s; the determination to shift resources, and stu-dents, from arts subjects to the

Since 1979, Mrs. Margaret Thatcher's first year in power, the proportion of full-time stuthe proportion of full-time stu-dents studying science-related subjects has riseu signifi-cantly. And while full-time per-manent academic staff have been axed in all departments, many more jobs have disap-peared in arts disciplines than in science and engineering. The sciences have also bene-fited from changes in funding policy. Central sovernment

policy. Central government grants have been tightly restricted in order to force institutions to become more reliant on research awards and cash raised from industry and charities. Yet science and engineering faculties inevitably find it much easier to win contracts and market services profitably than, say, philoso-phers or ancient historians.

in better shape than the humanities, they are still deeply troubled. The 13 per cent increase in the budget of the five main research councils announced in November was the first significant rise for more than a decade. Between 1981-82 and 1987-88, the science budget rose by about 2 per cent a year, after allowing for general inflation. But costs — sala-ries, equipment, books and so forth — have risen much faster than prices generally. British research has therefore experi-enced a prolonged squeeze.

Even though the sciences are

Scientists point out that some of the November increase was earmarked for special items - such as AIDs research - and that 40 per cent of their research money is distributed by the University Grants Con-mittee, which was more tightly squeezed than the research councils and which remains under considerable financial pressure. They also stress that industry remains rejuctant to back science in a big way; total civil research and development spending in the UK accounts for only about 1.7 per cent of GDP, compared with about 2.5 per cent in other large industrial countries.

The concern reflects not just cash expenditure, but also the numbers of qualified scientists and engineers produced. The pressure group Save British Science claims that a 50 per cent increase in trained scientists, engineers and technical workers is required.

While horizoning to recognize

While beginning to recognise the case for increased resources, the Government has hitherto focused on the need to improve the quality and effec-tiveness of British research. Sir tiveness of British research. Sir David Phillips, the Oxford molecular biologist who heads the Advisory Board of the Research Councils, and Sir Peter Swinnerton-Dyer, the Cambridge mathematician who chairs the University Grants Committee, are striving to improve performance by tighter management and con-

centration of research effort. The conventional wisdom is that fewer evenues of research should be pursued and that the number of university depart-ments should be reduced, so that those remaining can be better funded.

The rationalisation of earth sciences is more or less com-

A master's degree in investment and financial services, believed to be the first of its kind, has been launched by the Institute of Chartered Secretaries and Administrators, in collabora-tion with Hull University.

tion with Hull University and Leeds Polytechnic. It is aimed to raise levels of training in financial services.

The course will be part-time and is planned to proceed in close co-operation with a student's employer. It will take two years to complete and cost £3,250 a year. Ms Gail Stirling, the institute's education director, said there was a need for a said there was a need for a more structured approach to training in financial ser-

The MBA will have two parts. A compulsory core will consist of topics directly related to financial services, such as regulation and com-pliance, investment topics and corporate finance.

There will also be a range of optional courses dealing with broader business ssues, such as marketing, strategic management and communications.

plete. The number of departments has been reduced from 32 to 24. A similar fate seems likely for university physics and chemistry, the UGC has published reviews calling for the closure of departments with less than 200 students and 20 staff - 20 physics and 16 chemistry departments fall

into this category.

Big departments are expec-ted to carry out research more economically and to provide a better education for undergrad-uates. Critics, however, ques-tion whether mergers and clo-sures on the scale envisaged are necessary. They point out that diversity is desirable in its own right, that small teams are often the most creative and that if industrial experience of mergers is any guide, the results of rationalisation will

be disappointing.
The Government's drive to increase the numbers of scientists and engineers is proving at best a limited success. The problem it faces is that students - the consumers of higher education would rather study other subjects. A recent survey revealed a slump in student interest in engineering in 1995 2 and the student interest in engineering in 1995 2 and the student interest in engineering in 1995 2 and the student interest in the student civil, mechanical and electronic engineering fell by 15 per cent, 8 per cent and 7 per cent. It is estimated that up to 10 per cent of places on engi-neering courses in polytech-nics remain unfilled. University English depart-ments, by contrast, remain

heavily over-subscribed but cannot expand because of UGC

Changes in the school curricchanges in the school curriculum, such as the designation of science and technology as compulsory subjects up to the age of 16, may increase the popularity of subjects such as engineering, especially among young women (only 11 per cent of graduate engineers are female).

Getting enough qualified and motivated schoolchildren, how-ever, will be only half the bat-tle. The high drop-out rate in undergraduate engineering courses suggests some degrees may be boring and badly taught. The fact that large numbers of qualified scientists and engineers subsequently seek alternative careers sug-gests that the package of pay, conditions and prospects offered by industry is uncom-

#### In Brief **Dunlop wins** overseas tyre plant contracts :

CONTRACTS worth 40m to set up or expand vehicle tyre plants in China, Iraq, Nigeria and Zimbabwe have been awarded to Dunlop Interna-tional Technology, owned by BTR, the UK conglomerate,

BTR, the UK conglomerate, John Griffiths writes.
The largest of contract is for £21.2m, to develop a 150,000 units a year radial truck tyre plant in China's Sichuan province. Work has begun on the fraqi contract, worth £16m, and involves a plant to produce car, commercial vehicle and tractor tyres with a capacity of 2m a tyres with a capacity of 2m a

The other two contracts, with a combined value of around £3m, are to increase output of radial car tyres from 100,000 to 500,000 a year at the Dunkop Nigeria plant in Lagos, and to help Dunkop Zimbabwe develop a truck tyre design.

#### Chunnel completion date postponed

Channel Tunnel has been post-poned for several weeks because of problems caused by unexpectedly difficult tunnel-

ling conditions. Eurotunnel, Anglo-French consortium which will operate the tunnel, is understood to have agreed a new timetable with Transmanche-Link, the consortium of 10 construction companies building the tunnel. The revised target means the tunnel will not open on schedule in May 1993 unless the lost time can be recovered.

#### Car pay votes

An overwhelming vote by 4,500 manual, workers at Peugeot Talbot's Coventry plant rejected a pay deal worth just under 16 per cent over two years. Also, union leaders at Jaguar, Juxury carmaker, predicted that the 9,000 workers will vote against accepting a two-year deal worth just over 4

#### IBM exports up

UK division of International Business Machines, the world's largest computer maker, raised export volume by 17 per cent last year and its workforce by 660 to 18,686. This follows a period of consolidation and staff traductions in the mid-

#### **Gold share backing**

The Europe has told the UK Government that its proposal to hold a "golden share" in the privatised water authorities to prevent unwelcome takeovers is in accord with EC.

#### Actuaries link

Bacon & Woodrow, one of the announced a joint venture with Cockman, Consultants & Partners, management consul-tants specialising in employee

#### Chnock EC move

Mr Neil Kinnock is expected today to commit the Labour Party to fight the June Euro-pean Parliament elections on a platform of strengthened monctary and political union. The Labour leader will join 13 socialist party leaders from the EC in signing the 1989 Euro-election manifesto.

#### Oil Heensing

Oil Groups involving 84 compa-nies have made 125 licence applications to the UK's 11th round of offshore licensing.

## Government presses for quick removal of food mineral oils

By Christopher Parkes, Consumer industries Editor

ALTHOUGH food makers are to be barred in Britain from using mineral oil in their products, consumers will still be able to dose themselves with the most common type, liquid paraffin, which will remain readily available over the chemist's counter. Thesa so-called "white oils" are also used extensively in cosmetics.

The Ministry of Agriculture announced the ban yesterday, while the Department of Health said no similar action was planned against liquid paraffin, a common laxative. It was most unlikely that anyone would suffer from taking liquid paraffin for a short period, the department added. Mr Richard Ryder, junior

agriculture minister, told the House of Commons in a writ-ten answer that mineral hydrocarbons "should be removed from direct food use and from food processing as quickly as practicable."

Mineral hydrocarbons are a group of petroleum-hased oils and waxes widely used in food

processing. Some fruit suppliers coat raisins, sultanas, oranges and lemons with a liquid parafiln glaze. Bread makers use it to inbricate the blades which cut dough into loaf-shapes. Related products are also mixed in the coloured "rinds" which prevent moisture loss in cheese varieties such as Edam and Gouda. Confectionery, jelly and sansage makers will also be affected.

The use of white oils in food packaging and chewing gum—

packaging and chewing gum-to add chewability— is under separate review, and will be allowed to continue at least until the ministry's Food Advi-sory Committee reports in a

separate review.

The food industry and retailers were taken by surprise by the announcement, and were fold of the ban only on Wednesday. If the Government presses shead with its pro-posed timetable, they could be obliged to remove from stock and display all products containing the oils in three weeks.

said only that the products were no longer acceptable for food." It omitted information on scientific evidence given to the trade which showed tissue delivers had been found in an dainage had been found in animals fed on low doses of the hydrocarbons. Residues were found in test animals' livers and other organs. There was also evidence that the hydrocarbons accumulated in human organs, although it was stressed that no damage had been found.

Salamon and Seaber, a Lon-don-based food analysis and consultancy company, said that to be safe only the highest grades of oil should be used in food. Some types contained polycyclic aromatic hydrocarbons, which were carcinogenic.

White oils are already ban-ned for food use in several countries, including the US, Japan and West Germany, although dried fruits coated with them are imported into



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Pogorelich. The Church, Jan Garbarck, Leonard . Cohen. Pink Floyd. Frank Sinatra. Celia Cruz, Daniel Barenboim, The Moscow Philharmonic Orchestra. Simply Red. Manhattan Transfer. Carmel. Franco Battiato.

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#### ACCESS TO THE EUROPEAN MARKET

## Some original ideas on the limits to free trade

The EC is drawing up tight rules for products to qualify as local, writes William Dawkins

new and poorly understood bogey is starting to add to Japanese and US companies' fears that the European Community might be tempted into greater protectionism as it builds its single market for

customs directorate has emerged from a long period of obscurity to play a newly political part in EC trade policy. It is, for the first tima in a is, for the first time in a decade, drawing up-tight local content requirements to be observed by a range of sensitive products — mainly dumped electronics goods made in Europe by Japanese companies — if they are to claim the crucial advantages of RC crizin.

These so-called rules of ofigin are used to define what is and is not an EC product or, if it is not European, exactly where it comes from and under what kind of regulations it can be sold in the Community. At take could be the difference between dumping levies of 30 per cent being imposed on a Ruropean video cassette recorder (VCR) plant and a guarantee of free circulation. And the distinction will become all the more important as the 1992 creation of a free single market approaches.

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LORDER

In theory, any kind of prod-uct assembled in the EC can call itself European under a flexible general origin rule. But it is now being seen by the Commission as too generous for some sensitive goods and being re-interpreted accordingly. Any product accepted as European under these requirements cannot be subject to restrictive measures such as Community anti-dumping

duties, tariffs or quotas.

The same criteria can equally be used to confer third-country origin on goods made outside the EC, vital when a foreign company wants to open a plant in a country other than its home base to avoid Community restrictions. The Commission suspects Ricoh, the Japanese photocopier maker, of such a ruse by selling to Europe via Calif-ornia, and is expected today to

against the Japanese company.

The prospect of having to
work harder for the "Made in
Europe" label on their products is of great concern to non-European companies with interests in the Community it also worries the West German, UK, Dutch, Danish and Irish governments, keen to avoid adding to the ECs trade frictions are the companies. tions as well as to avoid foul-ing up the ECs deregulatory internal market programme with needless red tage. The Commission this week

announced a new rule of origin posed new draft rules for phorecorders (VCRs), and is pre-paring others on computer printers and petroleum prod-ucts. It could also be forced to set precise rules of origin for cars if the dispute our sales of British made. Nissan cars to France. Spain and Italy leads to wehicles being held up at those borders because of the uncertainty of their origin. But see far, Brassels' experts unrules of origin have stayed clear of the Nissan contro-versy. Their hands are full ch as it is.

All this activity is being driven partly by pressure from some European producers on the Commission to clamp down on what they perceive as Japa-nese attempts to circumvent anti-dumping duties in the case of electronic products. Brussels is also being driven by the need for rules to clarify the origin of products and components to help it enforce the

The prime example is the controversial screwdriver regu-lation against dumping of com-ponents into EC assembly plants, which lays down an exemption for products with more than 40 per cent local content. Clearly, that cannot be enforced well without some properly defined way of mea-auring whether that content does really originate in the EC. The same applies when it comes to trying to curb the use of screwdriver plants dumping into Europe from outside the Community.

This manoeuvre has been ornia, and is expected today to tried by Ricoh, according to appeal formally to the EC the Commission. It alleges that Council of Ministers for action the Japanese firm is trying to

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British and Japanese at work on a car in north-east England: Brussels must decide whether the product is European

avoid 20 per cent EC dumping duties on its direct exports by selling to Europe from a Californian plant supplied with allegedly dumped components. The Commission and all member states, except for the Netherlands, agraa that Ricoh's US assembled copiers really originate in Japan and should accordingly be liable for dumping duties — even though US customs anthorities say

they are American.
There is no clear answer yet. Unable to get a firm decision out of national experts in the rules of origin committee, the Commission — or 16 out of the 17-member college — was ready this week to appeal to tha national experts' political masters in the Council of Minis-ters. Only doubts by Mr Frans sen, the Dutchman in charge of trade policy, held up the decision which, among other things, would be an pre-cedented challenge to US rules

of origin.

Brussels lawyers acting for non-EC compenies, meanwhile, complain that they do not know which way to turn. The technical committees in this new origin regulations appear to be shot with inconsistencies,

European Governments only applying different criteria to get directly involved at minisindividual products, they maintain. Forty-five per cent local content is the key for a draft rule on VCRs, yet the proposals for photocopier and inteterial level when the commit-tee is unable to agree, when the Commission's proposals have to be cleared by member states in the council, as in the grated circuits use the criterion of tachnological significance, applied slightly differently in each case. "It cre-ates the ultimata non-tariff barrier - the impossibility of . nd if EC ministers

cannot summon a qualified majority of origin decisions, the Brussels authorities have the right to adopt them regardless.

The foundation on which this maze is hullt is a 21-year-

old framswork rule - Regula-tion 802 of 1968 - which defines a product's origin as where "the last substantial process or operation that is economically justified was performed ... resulting in the manufacture of a new product or representing an important stage of manufacture." Normally, that can be applied directly without further ado. Separate individual rules exist

to denote origin for products that get preferential EC access from areas with special Comthe European Free Trade Association, compromising non-EC European and Scandinavian

countries, and the Lome Con-vention covering African,

Caribbean and Pacific states. But the 1968 regulation has often needed clarifying in the form of individual origin regulations for products that are unusually complicated or subject to individual national quotas. That is the pattern of the proposals churning ont of DG21, the Commission directorate responsible. They are as

• Photocopiers. The chain of events began with an antidumping action against Japanese exports to the Community, lodged in 1985 hy five EC photocopier makers led hy Rank Xerox of the UK. Ricoh's response to the dnties that followed - hoosting European sales from its Californian plant - immediately attracted a visit from suspicious Com-

half-dozen will be under severe The upshot was the current pressure by the Commission's new regulation to invest an Commission proposal to define the origin of photocopiers as astimated Y30hn (£133m) in European diffusion plants. the country where their most technologically sophisticated • VCRs. This also comes in components are made, firmly sourcing Ricoh's Californian output in Japan. What is odd is that the regulation only stipu-

lates in detail which processes

do not confer origin on photo-

copiers - such as assembly of

the main working parts
- rather than the ones that do,
such as the production of

lenses and circuit boards. It is

this so-called "negative" approach to origin. It reflects

the problems the origin com-mittee encountered in making up its mind, or - just perhaps - the possibility that the Commission is at the moment more

intent on pursuing an individ-

ual company than in writing a

legally and economically sound

general regulation.

• Integrated circuits. This too

is partly a consequence of a complaint, as yet unresolved,

complaint, as yet unresolved, into Japanese dumping of memory chips, lodged in 1936 by a group of more than 20 European producers, including Philips of the Netherlands, Thomson of France and and

West Germany's Siemens.

Even hefore then, the same companies had been lobbying

for a regulation that would

define origin as the country where the most substantial

part of the circuit-making pro-

cess took place, the etching of circuits onto hlank silicon

wafers, known as diffusion.

This week the Commission announced that this indeed

would be the basis of the regu-

lation. Some legal experts

reacted that this was not what

the 1968 regulation meant hy

the last - rather than most

- substantial process for find-

in Europe merely assemble integrated circuits from imported wafers which have

undergone diffusion at home.

The European companies' aim was to curh low-cost chip

assembly in the EC hy present

and future Japanese producers and to push them into invest-

ing in fully-integrated EC chip

plants. NEC in Scotland is the

only Japanase chip diffusion plant in the EC. The remaining

Most Japanese chip makers

the wake of an anti-dumping action, which resulted in the imposition of up to 30 per cent duties on five South Korean August. Just before the conclusion of that case - started by a complaint from the Community's seven main VCR produc-ers - the Brussels authorities unveiled a rules of origin regulation. It sets 45 per cent local content as the definition of ori-

Rules on computer printers, in the early planning stage, are similarly born out of a dumping dispute. Another proposal on petroleum products, meanwhile, is being drawn up for a different reason – to set com mon rules of origin following the planned the abolition of requirements in the run-up to

But why are they coming out now, of all times? The first phase in the EC's debate about product took place in the 10 years after the 1968 regulation was adopted, during which 11 individual product rules were drafted. These ranged from radios and televisions - where 45 per cent local content was set as the rule of thumb - to eggs, textiles and ball bearings. Broadly, those are products whose origin needed clarification right from the start and so represent the settling-in phase of the EC's rules of origin

The current batch comes in response to circumstances that were much less ohvious then, such as the growing trade fric-tions with Japan, the increas-ing complexity of common-place electronic products and the trend for Japanese compa pies, such as Nissan and Ricoh among many others, to move manufacturing plants nearer their main markets.

Yat whatever the reasons behind the revival of this long overlooked sideline to EC trade policy, it is accepted in Brussels that the upshot will have a big influence on whether the post-1992 Community is a fortress or a free market for all.

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#### **1992 EUROPE**

planning," complains one legal

To make matters worse, the

process by which these decisions are made lacks the demo-

cratic controls applied to equally sensitive trade deci-

sions, such as domping. The

centre for all this is the rules

of origin committee, made up of national customs experts,

chaired by a senior Commission official. It meets once a month to vet Commission pro-

posals - and yet its only real constitutional check is the

Commission itself, as is the case with several other EC

adviser.

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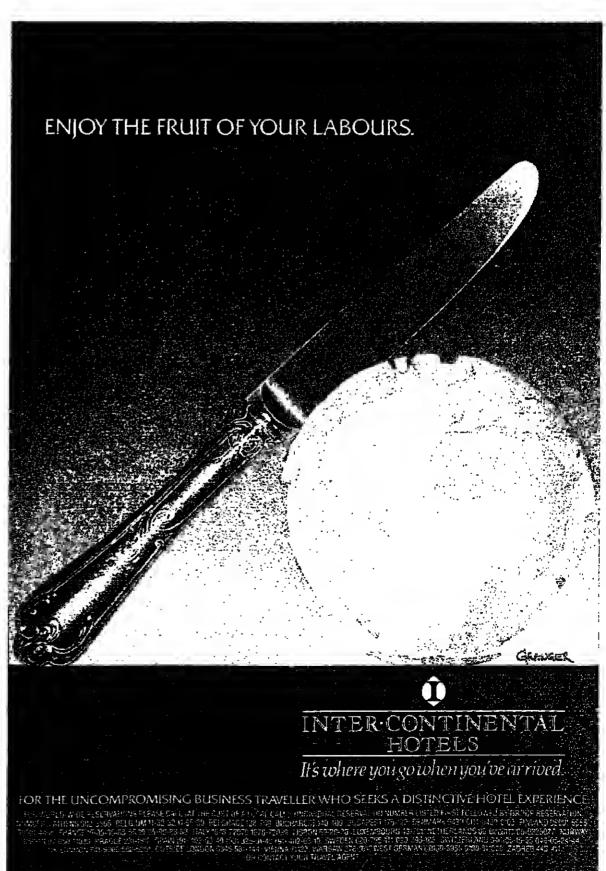
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will want in return a rents dis-

count of perhaps 10 per cent.
Landlords have some diffi-

cult choices to make. Once they have opted to pass on VAT, the decision is irrevoca-ble. Even if all a landlord's

current tenants are in a post-tion to claim credit for VAT

added to their rents, future

tenants in the finance or insur-

ance sector, who are unable to reclaim the VAT charged, would have no choice but to pay VAT on their rent. This could make the accommodation meconomic for a retential

tion uneconomic for a potential new tenant, compared with

another building where the landord has not exercised his option to tax," says Price

Waterhouse, accountants.

Transitional arrangements

and the future of major inner city projects where the finan-cial sector might be expected

to occupy significant amounts of space. Such could include King's Cross and the Royal

Docks in London and projects in Edinburgh, Glasgow, Leeds, Bradford, Birmingham and

retrospective I can see no case to distinguish between those

legally and those commercially

committed. Both of them deserve equal treatment," argues Mr Heddle. The point here is that those legally committed to a project before June

"To avoid the tax from being

ity of the tide, value added tax (VAT) has come in for property and construction. The effects are likely to be neutral in most cases. VAT is, after all, a tax which is passed on to somebody else and the final cost, with a few notable exceptions, will be absorbed by those who buy the services or goods of the property users. It is the exceptions - the financial houses which do not charge VAT on their services and the transitional arrange-ments - which could be the

problem for property people. There is probably a general acceptance that, as the Government was obliged by a European Court of Justice judgment to hring property and construction into the VAT net, the result could be a lot more onerous than it actually is.

"We have gone as far as the terms of the judgment would permit to minimise the burden of taxation and compliance, Mr Peter Lilley, Economic Sec-retary to the Treasury, claims in a letter to Mr John Heddle,

the Conservative MP.

At any rate, the tax at the standard rate of 15 per cent, starts on April 1. It applies to new buildings — with "new" defined as anything up to three years old. It applies to building land — which becomes liable to VAT when construction starts and then only if the developer does not exercise the option to tax rents or if the building is for the occupation of the company building it.

This option to tax refers to the ability of a landlord after August 1 1989 to choose

## Paul Cheeseright looks at the continuing arguments about the imposition of VAT on property

## Spectre of the two-tier market

THE PROPERTY MARKET

rents. If a landlord does, he can in effect pass on the VAT charges accrued during the development period of a building. If not, then the VAT stops with the landlord.

But, in important respects, VAT is phased in. For tenants it comes in over two years. Developers escape if construction contracts for a project were signed before June 21 1988 or if they had a legal agreement and planning permission to proceed with a development before that date.

All of this is contained in

draft clauses for this year's Budget and Finance Bill. But Budget and Finance Bill. But there are various problems.

Building land. The Government's approach to this was not in the consultation paper and, commented D.J. Freeman, solicitors, "this change will potentially hring into the tax many people who believed that, on the basis of the original proposals, they would not nal proposals, they would not be caught."

Because the tax will catch owner-developers it may be a deterrent to expansion, hitting institutions like the Norwich Union which has a substantial programme of new huildings for its own occupation.

And there is likely to be an

impact on the City of London market. It is worrying, explains Christopher Hedley of whether or not to levy VAT on Hillier Parker, chartered sur-



The City of London: uncertainties in the letting market if some landlords charge VAT on rents and others do not

veyors, "because it means that whenever any development proceeds - if it is to remain exempt from VAT - the landlord is going to have to pay VAT on the land costs. But land values in the City mean it would be difficult for developers to absorb VAT on rents. They would have to pass it on.

 This raises the whole question of the option to charge VAT on rents, which is the landlord's legal right but which may be resisted commercially because if VAT is charged a tenant may seek to offset this by lower rents.

The most difficult landlord-tenant relationship is likely to

be where the financial sector is involved. Much of this does not charge VAT on the services it provides, so cannot claim back VAT on bought-in services. So where the financial sector is strongly represented - the City, the business area of Manchester and so on - there could be uncertainties in the letting market.

"In some cases," predicted Nabarro Nathanson, "landlords will postpone a decision as to. whether to standard rate (rents) and will adopt a waitand-see policy to see how the market moves." This presents the spectre of a two-tier market - one with VAT on rents and one without.

"In a strong market any-thing goes," said Ian Cockburn

of Electricity Supply Nominees. But the City market is not likely in the short and medium-term to be as strong as it was. And the regional market can quickly go from short to over-supply of offices.

"There is a school of thought that feels that in anything but a strong letting market a twotier market could appear," Mr Cockburn added. Tenants are likely to be more demanding so that if VAT is passed on they

1988 escape VAT, those with land purchased but without legal commitments to develor

have to pay it.

Mr. Heddle fears that inner city land values, because of the VAT imposition, will fall on schemes where the margin between profit and loss is frag-ile. That in turn will lead to stronger demand for more public funds to be applied to inner

city programmes. The worry here is that VAT will increase costs but at the same time makes financial sec-tor tenancies less certain and therefore undermine the funding structure of some projects. The Treasury thinks it has gone as far it can.

Mr Lilley's letter stated that "to extend relief to anyone with any economic commitment (defined to include any land purchased for develop-ment in the the three years before the Court ruling would be hard to justify." It would leave the Government open to charges of further infractions of EC rules — a point con-tested in the private sector. It would give some developers an unfair advantage.

The argument will continue The Government will be told that it is simply being arbitrary in its approach to the transitional arrangements. It will be told that it can hardly be serious about its inner city regeneration policy if it makes the financially difficult even

more difficult. But complaints from a sector where returns latterly have been running at around 30 per cent – even though that might be abnormal — tend to be shrugged off as ritual gripes as a new tax takes effect.

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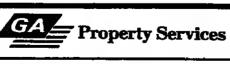
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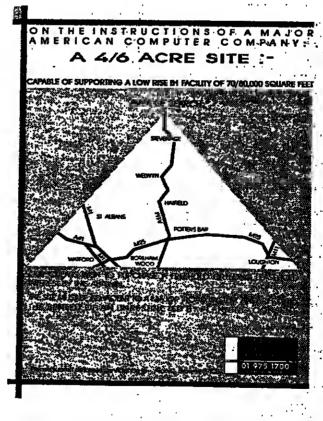
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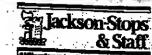
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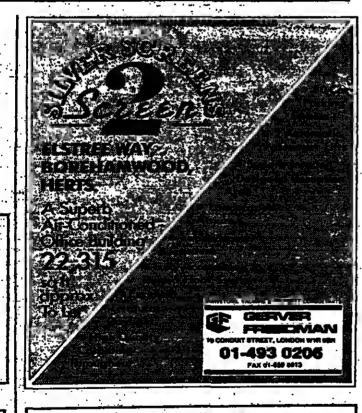
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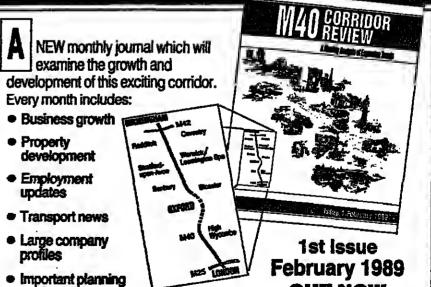
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Food processing technology

## Learning lessons from a crumbling cookie

Peter Montagnon explains why APV hopes to increase trade with the Soviet Union, despite missing out on an earlier contract

hen Vladimir Kamentsev, one of the Soviet Union's too trade officials visited Britain this week, a tour of a Sainsbury's supermarket wes included in his itinerary. This provides one of the clearest signals yet of a new emphasis in Moscow's approach to foreign trade.

Faced with continuing sbort-ages at home and the growing impatience of Soviet consum-

ers with the failure of peres-troika to add to the range of goods available in the shops, the Gorbachev regime has begun to put a much higher priority on food-processing and

distribution.
It is now actively seeking foreign help - a shift which has created a host of opportunities for companies like Britain's APV, which, alongside Alfa-Lavel of Sweden, ranks as one of the world leaders in the food-processing

machinery sector. After some 50 years of trad-ing with the Soviet Union during which time turnover ran at no more than £8m or so in a good year. APV executives say they are suddenly looking at a potential explosion in business. During the past six months potential contracts have been

worth as much as £600m. Tapping this goldmine remains tantalisingly difficult, however, even for such newly-favoured trading partners as APV. Developing an Identifiable corporate presence inside the Soviet Union and learning to deal with its cumbersome and impenetrable bureaucracy

remain an intense challenge. Like other Western companies seeking to do business with Moscow, APV has found its way strewn with difficulties, many of which arise from the sheer pace of change. "The degree of change which is going on in the Soviet economy at the moment is causing everybody to be a little confused as to where the power points are," says Richard Baldwin, main board director responsible for this side of the company's husiness.

APV's own decision to alm for a higher profile in the USSR stems partly from

ish computer company to develop

software to speed up the analysis of seismic data gathered during oil

The software would run on one of a new generation of computers

which use parallel processing to speed up calculations. They work by processing a number of pieces of information simultaneously, instead of one bit at a time as in conven-

a software system to enable the transfer of existing software to par-

Parallel techniques could play a vital role in the oil industry, which is reputed to be the largest proces-

sor of computer data in the world after the US Defence Department. In the North Sea, for example, there are about 15 seismic ships, each travelling 40 km a day. For every 1

km they cover, they gather 10 Mbytes (millions of bytes) of data. Work of this magnitude can be

done on supercomputers, such as the Cray machines. But these cost

the Cray machines. But these cost between \$2.5m and \$22m (£13m), whereas parellel processing systems, such as those produced by Advanced Memory Technology (AMT) of the UK, cost between £100,000 and £250,000.

Durrani estimates that e task which would take seven hours on a tradi-

tional system could be done in a

matter of minutes on parallel pro-

allel processors.



Sir Ronald Mcintosh, chairman of APV

attempts to diversify its tradi-tional markets. Until a few years ago its Eastern bloc business was better developed in countries like Hungary and Bulgarie where it has joint

But with the acquisition of Pasilac-Danish Turnkeys Dairies from the Danish Sugar Corporation in 1987, it inherited an office in Moscow. Simultaneously the idea of perestroika began to catch the imagination of the world. "We mede the increasing of our business in Comecon, and very much in the Soviet Union, more of e strategic issue within the company," says Bal-

Yet it is an effort which has still to pay off. APV's actual turnover in Russia last year amounted to just £2.5m. During 1988 it had high hopes of win-ning a contract for the the installation of 40 dried biscuit lines worth more than £200m. However, around Christmas it found that the contract had been lost to competitors in West Germany and Italy. Bal-dwin says APV is still trying to work out exactly whet hap-pened, but the experience is a pointer to the degree to which the unexpected can confound companies trying to do business in the USSR.

Even given the Soviet priority attached to food processing, the biscuit line contract was handled with an unprecedented degree of urgency by Moscow. With rare devotion to duty its engineers worked nights and even weekends negotiating the specifications for the project. The period from the start of negotiations to the award of the contract was an unheard of six months. For the sake of speed the Soviets said they were prepared to import the entire plant and not bother to have parts of it constructed locally. Even more surprising was their decision to pay for the plant in cash rather than through credit. That, Baldwin believes, was where the real

problems started.
Ironically, a cash payment
pnts suppliers in e weaker position; payment on credit gives them better control over the financial flows associated with a project. The Soviet side was, for example, reluctant to guarantee that it would pay for the equipment when it was ready even if its ships were not available to transport it to the

Soviet Union. Baldwin believes that APV's German and Italian competitors, most of which were small companies, were able to arrange better security of pay-ment with the help of their own governments. Trade and Industry Department officials say there is no evidence of this and the problem was simply that APV's price was too high. Undaunted by this failure,

APV is continuing to bid for other business. It would like to build cereal processing lines worth £100m, as well as cheese production lines and to convert former vodka distilleries for the production of beer concen-

Its hopes in this respect are boosted by e change in its negotiating partners. Whereas APV had been negotiating the biscuit lines contract with one of its traditional partners. Technopromimport, responsi-bility for the cereal lines has been devolved on to Selkhozpromexport, a new organi-sation hived off from Technopromimport - all part of the administrative changes taking place in Moscow.

Despite talk of joint ventures in the USSR, APV has not yet come under heavy pressure from the Soviet side to form such a venture. It would view such an idea with caution.



Alan Elanya Viadimir Kamentsev (right), investigating food processing and distribution, at a British supermarket this week

Although Soviet joint ven-ture legislation is being modi-fied to allow foreigners to take majority stakes, Baldwin believes there are still doubts about the degree of control which a foreign partner can exercise. "We feel confident with a joint venture in Hungary because it is a much smaller country where there is a much more immediate exchange of ideas and a pragmatic epproach towards making a success of the business."

APV is not yet convinced that the Soviet Union can

adopt this kind of approach. "All of the problems are several orders of magnitude larger, simply because of the sheer size of the system," says Ian Watson, APV director in day-to-day charge of Soviet Watson adds that APV is.

however, looking at a more modest form of co-operation which is designed to bring the company into closer contact with the end-users of its products. It is planning to establish a small plant in Moscow that will allow the agro-industrial combines responsible for growing, processing and distribut-ing food, to carry out trials on its eamoment. A continuing feature of nego-

tiation with Soviet customers is the two separate levels at which it takes place. While technical specification is handled by end-users, commercial negotiations are still closely controlled by the more centralised trade organisations such as Technopromimport and Gos-agroprom, to which APV has been talking on dairy lines. The assumption has to be that the two sides of the negotiation will tend to fuse as decentralis-

ation proceeds.

To keep ebreast of these changes, APV attaches considerable importance to its physical presence in Moscow. Apart from a steady stream of visits by some executives it but the two by senior executives, it has two full-time employees in its office there and is looking to expand its presence with Russian-speaking executives. But this expansion also serves another purpose which APV believes is important. This is the need to develop locally what Watson develop locally what Watson calls a corporate flagship.

"The Soviets like to be able to identify something as APV,"

Indeed, the need for UK industry to develop political visibility in the Soviet Union may well be a key ingredient to business expansion. The fact that German and

Italian companies won the biscuit line contracts may owe something to the fact that top level delegations from both countries on which a hroad range of industrial skills were represented last year visited

So far the UK has lagged behind in such concerted national effort, but APV says it has begun talking to a range of UK companies which could col-laborate to help the Soviet Union in ways that would ultimately enhance its ability to export international quality products. "We've got to be huilding and contributing to their economy," Baldwin says. Reorganisation at Royal Ordnance

## Into the firing line

Lynton McLain on the input of British Aerospace management

hen British Aero-space bought Royal Ordnance in 1977 it knew that its small arms activities were "in difficulties". They were unprofitable and gave poor customer ser-

The problems at the Enfield factory, built in the Victorian era, were inadequate produc-tion engineering, poor design for manufacture, a policy of in-house manufacture of the majority of gun components and processes that were too complex and covered a seen-ingly chaotic jumble of low, medium and high production volumes for a dozen different

The Enfield factory in north London, home of the Lee Enfield rifle, was the monopoly supplier of rifles to the British army. Yet the manufacturing cost of each new SA80 rifle exceeded the selling price, agreed by RO under a fixed price contract, by 30 per cent and the guns were deliv-ered 18 months late.

The situation led BAe to question whether BO should even stay in the small arms business, which represented £40m of the company's £500m annual turnover. The Ministry of Defence forced the issue when it put a second tranche of the new rifles out to com-petitive tender. RO's new management, appointed by BAe, had two months to decide whether to take an option on

whether to take an option on this second tranche or abandon the rifle business.

Peter Summerfield, appointed by BAe as operations director of Royal Ordnance in October 1987, says the decision was fundamental for PO 1914 the contract mental for RO. "If the contract was accepted it was clear that radical changes would be required to cut costs and reverse the losses. The management chose to stay in the market and fight."

What followed, says Summerfield, epitomised the "spirit of synergy" between not only BAe and Royal Ordnance, but also Rover, the UK car company, when it was acquired by the aerospace group from the Government early last year. RO and Rover had similari-

ties. Both were in volume engineering; both made high value-added products; both were highly dependent on quality for sales. But each had completely different industrial cultures, traditions and prob-lems. Also, Rover had been through its metamorphosis, RO had not.

When it was taken over by BAe, Rover had just made its first profits for a decade, although with a shrinking

market share.

RO had been cushioned from commercial pressures before privatisation because it was owned by its main customer, the Ministry of Defence. It had had limited success in export markets, especially for its small arms, and was ripe for change to hring it into the commercial world.
Summerfield, who used to be in charge of manufacturing

in charge of manufacturing planning at Rover, including that of the Rover 800 and the new R8 car which will replace the Maestro, says that in deciding to stay in the small arms market and fight, twin objectives were identified. Manufacturing effectiveness on the SA30 had to be improved to provide a basis for accepting the second tranche contract. Also, there had to be a new approach to small arms manufacture so RO could face international com-petition and sell its new rifle

abroad for the first time. BAe believed a different cul-ture was essential to achieve this. Enfield would have to close and a new factory be built in a new location. The BO Board, which hed been almost entirely replaced by BAe and was headed by Sir Raymond Lygo, chief execu-tive of BAe, decided to move the activity to a new £15m factory in Nottingham. RO's heavy gun production is also based in Nottingham.

RO became "very much a British Aerospace driven operation," says BAe. "We made a major transfer of BAe manag-ers; who had proved them-selves, to RO." The hope was that there would be a transfer of skills and experience between the companies and a cross-fertilisation of ideas and industrial practices. Summerfield took his entire

management team into the firing line to meet the British Army's generals and the soldiers who used the rifle. He briefed the army on why it problems would soon be a thing of the past. The new operation at Not-

tingham made radical improvements over the old Enfield factory. At least 80 per cent of the 150 components for the SA80

rifle are sub-contracted to out-side manufacturers, with BO putting the onus on the supputting the onus on the supplier to provide parts with "zero defects". BO makes only 15 to 20 parts for the SA80 rifle. These are the high cost, high value-added parts critical to the weapon, the designs for which are kept by RO. Outside contractors will not get access to this work and the high value added will be kept by Royal Ordnance.

Overheads at Nottingham compared with Enfield were cut by half; staff were able to produce three times as many

cut by half; staff were able to produce three times as many guns in a year; stocks were cut by 80 per cent; manufacturing lead time was cut by 90 per cent; the planned output was lifted by 45 per cent and there was a 60 per cent increase in added value per employee.

Guns now come off a conveyor at Nottingham in the same way Royers come off the

same way Rovers come off the line at Longbridge. Summer field says the conveyor system put "an element of pacing" into a traditional non-produc tion environment, where guns at Enfield had been almost hand-made at high cost and with little management con-

trol over production. The changes "achieved the principal objective of producing a range of internationally competitive weapons", says

Summerfield.

Dick Bush, sales director of BO's guns and vehicles divi-sion and a former BAe director, says the high costs of Enfield had meant the army's new rifle stood no chance of winning a share of the over-seas market for such rifles. Now, though, the low production costs at Nottingham and the possible development of a simpler, cheaper design of SA80 for export, offers Royal Ordnance the prospect of its first sales of the new rifle ontside the MoD.

The Nottingham small arms factory has become an exam-ple to the rest of RO. British Aerospace and RO are determined the lessons of the switch from Enfield to Nottingham, under the direction of an ex-Rover executive, will be used as a "major catalyst for change" in other factories

#### TECHNOLOGY

## A t the beginning of March the UK's Department of Energy will decide Chips that work side by whether to finance a Britside instead of in a queue

Della Bradshaw explains why parallel processing is so eagerly awaited by the oil industry

tional (serial) computers.

The aim of the Department of Energy project would be to develop The question is whether such parallel-processing techniques can be brought into a business environment, sweeping away the serial systems, or whether they will only have niche applications.

Central to the debate is how

information can be split up so as to allow each section of the data to be

allow each section of the data to be processed separately.

With seismic data for the oil industry that division is simple. Each time a seismic ship sends down a pulse of sound to the sea bed, the returning signal is recorded by about 200 receivers towed behind the skip. Records each of these 200 the ship. Because each of those 200 pieces of information is recorded in parallel, it is easy to process the data in parallel.

With more traditional computer

applicatious, some manufacturers argue that data cannot be processed in parallel because each element is partly determined by what comes before and after it.

s100,000 and £250,000.

The speed of parallel-processing systems can be staggering. At Strathclyde University in Scotland, the department of electronics and electrical engineering has developed a series of parallel processors with applications in the oil, defence and medical industries. Professor Tariq Durrant estimates that a task which David Alden, founder of Meiko, a UK maker of parallel-processing computers, disagrees. "Take transaction processing, for example. When you are tapping your number into a cashpoint machine, there is no reason why the person next to you shouldn't be doing the same, with the two transactions processed in parallel." He believes that even

commercial document processing could be done in this way. "With a word processing package there is no reason why page one cannot be pro-cessed by one processor, page two by another and so on."

But he acknowledges that the dif-ficulty lies in developing software capable of dividing up the data automatically. (Cray Research, maker of the world's fastest super-

maker of the world's fastest supercomputers, has responded to this
problem by introducing a system
called autotasking.)

Iann Barron, chief strategic officer of Inmos, the Thorn EMI subsidiary (now being acquired by the
italian/French chip maker SGS
Thomson), believes that parallel
processing will open up new areas
of computing, benefiting such
industries as structural engineerindustries as structural engineering, pharmacenticals and robotics. Barron also predicts that parallel processors will initially become pop-ular as parts of larger systems. For

example, many laser printers already have built-in parallel pro-cessors to handle the data — hence their remarkable speed. Graphics workstations are likely to follow. "You'll get good three-dimensional models which can be looked at and changed in real time – you can't do that sort of thing at the moment," says Barron.

The idea of parallel computing is

not new. The Enigma code-breaking machine, used during the Second World War, is regarded by some as the first parallel system because it processed several pieces of data at the same time. But it was not until the mid-1980s that many manufacturers set about developing paral-lel-processing computers, believing that serial computers were reaching the limits of their power. But that effort has yet to bear

much fruit. Tim Johnson, chairman of Ovum, the UK technology research organisation, says that sales so far have been considerably lower than analysts predicted. He points to two factors, however,

which are prompting renewed interest: the growing range of operating and applications software, and the availability of specialised chips for parallel processing from companies such as NCube, in the US, and AMT and Immost in the US.

and inmos, in the UK.

Barron likens inmos's transputer
to e brick. "You can build a wall
out of stones which are all different sizes, but it is difficult to make them fit together. If you use bricks which are all the same size and shape, and specifically developed for the job, the task is much easier." Manufacturers of parallel-processing computers fall into two groups: those which put s small number of

high-speed processors in their



systems and those which use a large number - often thousands of smaller processors.

Cray Research follows the first

approach. Its YMP machine has eight processors and the company is working on other supercomputers which will have 16, and eventually 64, processors. Companies such as Cray argue that it is not just the number of processors that determines the speed of the machine, the communications and input and output devices are also crucial. With a large number of low-powered processors, communications between them could limit speed.

The products of the second group, which includes Melko, AMT, Intel Scientific Computers and NCube,

are often dubbed massively paral-lel-processing computers. Of the 150 systems delivered by NCube, for example, several have between 500 and 1,000 processors.

Parallel machines process infor-

Paratiei machines process miormation in two ways, according to the type of data:

• Multiple instruction multiple data (MIMD), where each processor is carrying out a different job.

• Single instruction multiple data (SIMD), where all the processors running in narallel carry out the running in parallel carry out the same task, A particularly useful application of this is in the oil

industry, where geologists want background noise to be filtered out

before the data from monitoring

Although the future for parallelprocessing systems looks rosy, manufacturers acknowledge that operating and applications software is still

rudimentary.
Several of them have chosen to develop proprietary software for their processors, others heve elected to modify existing computer elected to modify existing computer languages, particularly Fortran and C. This makes it difficult for companies to take a software package from one parallel-processing system and put it on another, which in turn inhibits the development of applications software. tions software.

Barron reckons that it will be at least four years before manufacturers solve the problem by agreeing on a standard computer language.

## Scientists plan to search for the origins of the universe in a Yorkshire mine

Clive Cookson and Nigel Burnham report on an experiment that could identify particles of a mysterious and extensive substance called 'dark matter'



use e cavern in Europe's deepest mine for an experiment intended to solve several mysteries about the origin and composition of the

universe.
The study would be carried out one kilometre underground in a potash mine at Boulby in North Yorkshire. The researchers – from the Rutherford Appleton Lahoratory in Oxfordshire and six UK universities and colleges - intend to detect and identify the unknown particles which are believed to make up 90 per cent of the mass of the universe.

Cleveland Potash, the company operating the mine, has already carved out a cavern 500 cubic metres in volume about the size of a house - to The work has to take place

deep underground, so that the blanket of rock above will absorb most of the cosmic rays and particles which would otherwise swamp the delicate detectors being used. Astronomers believe that the

bright stars and galaxies are surrounded by what they call "dark matter". This gives off no light or radiation, so it cannot be seen with telescopes and other conventional instruments. Astronomers can, however, measure its gravitational effects on the movements of stars and galaxies, and this has suggested that at least 90 per cent of the mass of the universe is dark matter.

provide a working space for matter is. Some astronomers believe that it consists of mas-sive "black holes" surrounding the conventional stars in galaxies. But others say that the dark matter is made up of tiny sub-atomic particles left over from the Big Bang at the origin of the universe of the universe.

Several candidate particles - heavy nentrinos, axions, photinos, Higgsinos, gravitinos and others - have been proposed. Peter Smith of the Rutherford Appleton Laboratory, who is leading the research team, favours photinos, each somewhere between one and 100 times heavier than a hydrogen atom.

At the heart of the experiment is a detector designed to record any particle of dark No one knows what the dark matter that passes through the

1,100 metres of rock above the scientific cavern. These parti-cles - if they exist - would interact little with conventional matter and so would move easily through the rock

The detector is small enough to fit on a desk-top but it will be surrounded by bulky cool-ing apparatus designed to keep its temperature within onetenth of a degree of absolute zero (minus 273 deg C). The instrument works by detecting a collision between an incoming particle and one of the atomic nuclei in a crystal. Such a collision will make the nucleus recoil like a billiard ball and the resulting energy should be detectable in the extreme cold as a small rise in temperature. The researchers expect to record about one col-

So that the detector is not overwhelmed by conventional subatomic particles, it will not only be buried in the mine but also shielded from the products of radioactive decay in the smith dark matter in this way. of radioactive decay in the sur-rounding rocks. The research team has not yet decided what shielding to use. Huge tanks of

to protect them from cosmic understanding how the uniradiation is an established sci-entific tradition. Several exper-iments have been set up in gold, iron and salt mines in the US - for example, to study neutrinos, ghostly particles generated by the sun, and to

dark matter in this way.
Although Smith is quick to
point out that it might not
work, he believes that the pure water are one possibility, chances of success are high tons of highly refined salt are another. Siting particle detectors thousands of feet underground this dark material is crucial to have the project. "Investigation of this dark material is crucial to have the project of this dark material is crucial to have the project of this dark material is crucial to have the project of this dark material is crucial to have the project of the project. verse was formed," he says.

According to the feasibility study carried out hy the research team, the experiment would cost about £200,000 over four years. The Science and Engineering Research Council search for evidence that even is the likely source of funds.

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#### **ARTS**

#### OPERA AND BALLET

Royal Opera, Covent Garden. The long-awaited first London performances of an opera by Luciano Berio are given by the Auciano Berio are given by the Royal Opera: Un re in ascolto, a dazzling kaleidoscope of sounds, themes, and dramstic visions. Stephen Harrap takes over as conductor. Graham Vick is the producer, and the cast includes Donald McIntyre and

Elizabeth Laureoce. English National Opera, Coliseum. The first-ever Coliseum Falstaff is by the "bome-team" of Mark Elder (conductor) and David Pountney (producer). Benjamin Luxon takes Verdi's title role, and the cast also includes Malcolm Donnelly, Janice Cairns and Anne Collins. Further impressive performances of Arl-bert Reimann's dry, noistly violent Shakespeare sdaptation, Lear. Monte Jaffe takes the title role, a uniformly impressive cast includes Phyllis Cannon, Rosa Mannion, Nigel Douglas, and Rodney Macann, and the conduc-tor is Paul Daniel: the brilliant production is by Eike Gramss. Return of Bizet's uneven but lovably fresh and tuneful Pearl Fishers, with Cathryn Pope Arthur Davies, and Alan Opie. Royal Opera House, Sadler's Wells Royal Ballet begins a sea-son on Feb 13 with the first performance of David Bintley's new Hooson's Choice. Repeat performance on Feb 15. Sadler's Wells Theatre, Northern Bailet Theatre ends a season with its dull *Don Quizote* on Feb 11. The Ballet Gulbenkian from Portugal arrives at Sadier's Wells for a season on Feb 14.

Paris Opera. Wagner's Die Meistersinger von Nürnberg conducted by Lothar Zagrosek in the Hamburg Staatsoper production.

Staatsoper. In repertory: Werther conducted by Sir Charles Mack-erras, with Martine Dupuy. Noriko Sasaki, Alfredo Kraus. Herzog Blaubarts Burg conducted hy Jiri Kout and Erwartung conducted by Ulf Schirmer. Otello conducted by Adam Fischer, with Katia Ricciarelli, Margareta Hintermeier, Peter Koves. La Traviata cooducted by Elio Bon-Traviata cooducted by £10 Bon-compagni, with Waltraud Win-sauer. (51444. ext. 2660). Volksoper. The week's offerings include My Foir Lady, Der Bar-bier von Sevilla, Der Zigeunerbo-ron, Arthur Schnitzler und sein Reigen, Die Csardasfurstin, Don Giovanni and Cosi Fan Tutte (51444 ext. 2662).

Opera. Die Hochzeit des Figaro opera. Die Hochzei des Fujuro has a strong cast led by JuliaVar-ady, Iris Vermillion, Carol Wyatt, Alan Titus and Manfred Roehri. Turandot in Götz Friedrich's production features Linda Kelm in the title role, Clamma Dale (Liu), Corneliu Murgu (Kalaf), Martti Talvela (Timor) and Peter Gougaloff (Akiser Altoum). Notre Dame de Paris, jointly choreo-graphed by Maurice Jarre/Roland Petit has Bart de Block, Raffaela Renzi, Tom van Cauwenbergh and Tomas Karlborg in the solo

Hamburg Opera. Der Rosenkavolier, conducted by Silvio Varviso is sung

by Anna Tomowa-Sintow, Hilde-gard Hartwig, Gabriels Rossman-ith and Hans Sotin. *Ariadne auf* Naxos is a well done repertoireperformance with Anna Tomo-wa-Sintow in the title role, Klaus Koenig (Bacchus), Hellen Kwon (Zerbinetta) and Dieter Weller (Musiklehrer). Dornröschen and Bach's Mattaus Passion, both choreographed by John Neu-meier round off the week.

Opera. Last performance of Lucidor, choreographed by YouriVa-mos. Termhäuser stars Grace Bumbry, Richard Versalle, Alfred Muff, John Broecheler, Nadien Denize and Christer Bladin and excellent conducted by Dennis Russell Davies. The Fledermaus provoked heavy protests against the ultra modern Bernard Broka production, which was redeemed by the singing.

#### Amsterdam

Netherlands Opera. Premiere of new production of Berlioz Damnation de Faust directed by Harry Kupfer. Hartmut Haen-chen conducts the Rotterdam Philharmonic, with Hedwig Fassender as Marguerite, Jean-Philippe Lafont as Mephistopheles Barry McCauley as Faust (Fri,

#### Mon, Thur). Nederlands Dans Theater with a new ballet by Mark Haim to music by Mozart, A Tear in Time (Chase/Lipari), and Lieder eines fahrenden Gesellen (Kylian/Mahler) (Sat, Sun matinee). Muziek-

Teatro dell Opera. Elegant neo-classical productin of Cimarosa's Gli Orazi e i Curiazi by Francesca Zambello, as part of Rome's celebrations of the bicentenary of the French revolution, Alan

Curtis conducts s young cast

which includes Anna Caterina Antonacci and Gianna Rolandi as the ill-starred lovers: the Roman equivalent of the Monta gues and Capulets (46.17.55)

Teatro alla Scala, Puccini's Tosco in Piero Faggioni's produc-tion, with scenery and costumes includes Ghena Dimitrova (alternating with Maria Guleghina), Veriano Luchetti and Piero Cap puccilli (alternating with Alberto Cupido and Jaun Pons), concupido and Jaun Pons), con-ducted by Tiziano Severini and last performance this season of Weber's romantic opera Oberon in Luca Ronconi's elaborate pro-duction, designed by Margherita Palli, and conducted by Seiji Ozawa (80 81 95) wa (80.91.26).

#### New York

Metropolitan Opera House, Lin-coln Center. David Stivender conducts *Idomeneo* with Carol Vaness as Elettra, Frederica von Stade as idamante and Siegfried Jerusalem in the title role. Blue beard's Castle continues with Jessye Norman as Judith and Samuel Ramey in the title role. James Levine conducts, along with the monodrama Emartung where Jessye Norman sings the Woman. James Levine also conducts Don Carlo with Neil Shicof in the title role, Margaret Price, Tatiana Troyanos and Bernd Weikl. (362 6000) New York City Ballet, State Theatre, Lincoln Center. The

40th anniversary season contin-ues with 26 works by George ues with 26 works by George Balanchine, nine by Jerome Rob-bins and five by Peter Martins. In addition, works by Laura Dean, Eliot Feld, William For-sythe, Lar Lubovich, commis-stoned for this season, will be interspersed in the season, which ends Feb 26. (496 0600)

#### THEATRE London

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing, Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-

walling and no-dealing tricks (930 2578, cc 839 1438). The Secret Rapture (Lyttelton). Brilliant new David Hare ple for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. Feb 8-11, 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200). The Shaughraun (Olivier). Recommended Christmas treat, as

Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. (928 2252). Feb 13-16, March 1-4.

March 1-4.
Brigadoun (Victoria Palace), 1947
Lerner and Loewe "heatherscented" Scottish fairytale hit
is handsomely revived and well
sung, less frail than expected.
(824 1317, cc 836 2428).
The Vortex (Garrick), Maria Altless and Propert Venerat in hell ken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. (379 6107, cc

741 9999). Hedda Gabler (Olivier). Juliet Stevenson is energetically wilful in fine National revival using a new Christopher Hampton translation. A full-scale, monu mental reading, with European design to match by Bob Crowley. Howard Davies directs, Norman

Rodway is Judge Brack. Feb 16-21 (928 2252). The Sneeze (Aldwych). Eight short Chekhov pieces — four vaudevilles, four early stories — translated and adapted by Michael France and performed Michael Frayn and performe in various styles by Rowan

#### Cheryl Campbell (836 6404, cc

379 6233).
Mrs Klein (Apollo). Intriguing chat among the child psychoen lysts in Nicholas Wright's hit transfer from the National, Fizz-ing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379

Orpheus Descending (Haymar-ket). Triumphant debut for the ter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832). Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

#### Rotterdam

Evita (Doelen). Original Broad-way production with Florence Lacey. (Mon, Wed, Thur). (413

## New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous conscious rates, with immerous slamming doors and loss of mug-ging but hollow burnour thet misses as often as it hits. Chris-tine Baranski leads an ebullient cast in the inevitable but disap-

pointing hit. Cats (Winter Garden), Still a sell-out, Trevor Numn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated

#### the musical genre with its back-stage story in which the songs Atkinson, Timothy West and

are used as auditions rather than emotions (239 6200). Les Misérables (Broadway). The magnificent speciacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway

lessons in pageantry and drama (239 6200). Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness. It has nevertheless proved to be a durable Broadway hit (947 0033). M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220). Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-trans-

#### fer from London (239 6200). Marcel Marceau (City Center). Month-long performances by the legendary French mime mark his first appearance in New York in six years. Ends Feb 26 (581

Miss Saigon (Eisenhower). The creators of Les Miserables intro-duce their latest musical, an adaptation of Madame Butterfly with a setting of some familiarity

#### in Washington. Ends May 1 (254 3670). Chicago

Driving Miss Daisy (Brian Street). The touching relation-ship between a downger, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades

(348 4000). Steel Magnoliss (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dry-

#### ers in a busy hairdressing establishment (968 9000).

#### Takyo

Kabuki, Kabuki 4a (541 3131). The matinee performance at 11.30am features four works, including a recent showpiece.

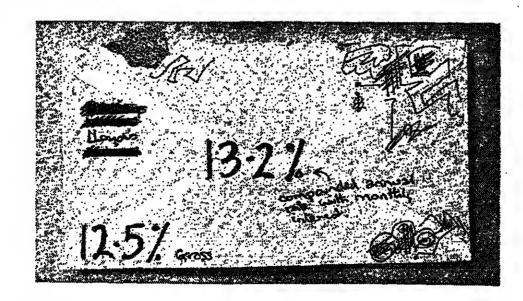
Genji Monogaturi, a tale of the

Genji clan. The final play in the Genti cian. The unal play in the evening performance at 4pm is Meguni no Henku (The Fight. with the M Brigade), which for tures a spectacular and smusing fight between firemen and summ wrestiers and stars Once Kikuwresters and state great grand-goro VII, for whose great grand-father the play was written. Bunraku. National Theatre: The World of Chikamatsu. Chika-matsu Monzaemon (1883-1730) is often described as the Shake is often described as the Shake speare of Japan; he wrote primarily for the bunraku puppet these helping make it one of the world's most sophisticated art. tornes. At Ham: Horikowa Nami no Tsuzumi (The Echo of a Drun near the Hori River), by Chikamatsu. At 8pm and 8pm: plays by Chikamatsu Hai and Yoshida Kanshi (265 7411).

Beneath the Blooming Cherry Trees, Written and directed by Hideki Noda, Seinenkan Hall. Hideki Noda. Seinenkan Hall.
Japen's liveliest fringe company.
Yume no Fuminsha is wildly
popular among young Japanese,
and has now built up a substantial international reputation folkowing performances at the Edinburgh and New York Festivals.
(496 1051).
How to Sleep in Space, Prolegue. Kinokuniya Hall, Shinpiku. Popular fringe company
Deisan Butai in a revival of a
1962 production set in a nuclear
shelier. (354 0141).
Asinamali. Space Part 3, Shi-

Asinamali. Space Part 3, Shibuya. Anti-spartheid musical. performed in English by the Committed Artists group from South Africa. The title mans "We have no money", but its meaning is "Wa have suffered enough" (477 5858).

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#### EXHIBITIONS

The Royal Academy, Italian Art in the 20th century: after Ger-man and British, the third in the Academy's roughly biennial sequence of major national surveys. This is an exceptionally thorough study of the earlier phases and the works are well chosen throughout. Daily until April 9, except Good Friday.

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary peintre maudit, influenced at first by the impressionist Pissarro and later by Degas and Cezanne. Until April 24, closed

Tue. (42 96 56 30). Louvre. Pavillon de Flore. The Reminandt school is on show at the Louvre, it consists of 29 canvases by Reminandtesque artists and is especially interest-ing in view of the recent controversy about attributions of some of Rembraudt's own paintings. Closed Tue. Ends March 27. (42

Contre Georges Pompidou. Tin-guely's linkering gentus sets his machines swirling and white ring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of invention. to metaphysical preoccupations in his recent works. Closed Tue. Ends March 27 (42 77 12 33). Le Louvre des Antiquaires. A show of wallpaper from 1720 to 1880. The exhibition displays 300 samples of this minor decorative art and shows how its development followed, and underlined, the changes of fashion. 2 Place du Palais Royal (42 97 27 10), Closed Mon, ends April 2. Closed Mon, ends April 2. Bibliotheque Nationale, Gauguin et l'Ecole de Pont-Aven, Echoing et l'icole de l'om-Aven, Ecnoing the retrospective at the Grand Palais, the Bibliotheque Nationale exhibits engravings by Gauguin and histriends, among whom O'Connor emerges as the most powerfulpersonality. Ends March 5 (47038126).

#### Brussels

Musée Bellevue. Les Flacons de la Seduction. The art of per-fumery in the 18th century. 7 Place des Palais. Ends Feb 19. Musée D'Art Moderne. A retrospective of the paintings of Jean-Jacques Galliard (1890-1976). Closed Monday. Ends March 12.

#### Antwerp.

Museum of Contemporary Art of Antwerp. British sculpture 1960-1968. A major exhibition of works by 36 contemporary British sculptors. Closed Mon.

#### Rotterdam

Boymum-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school com-prising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

Kunsthistoriches Museum. Prague 1600 - A marvellous exhibition looking at the court of Rudolf 11, the great patron, not only of the arts but also the sciences. Ends Feb 26.

Museum der 20 Jahrhunderts, Klassische Moderne, a collection of the Museum's contemporary art. Ends March 7.

Hermes Villa. Portraits by the

Hermes Ville. Portraits by the fin-desiècle artists, Custav Klimt and Emilie Floega. Ends Feb 19. Secassion. The Austrian design-ers, Oskar Putz and Adolf Kris chanitz are worth seeing. One can also see Klimt's Beethoven

Spenish Academy (Piazza s. Pie-tro in Montorio 3). Seventeenth and eighteenth century Italian drawings from the Biblioteca Nacional, Madrid: over a hundred drawings of quite exece-pional quality, with representa-tives of all the major fixing i schools. Until Feb 26. Villa Farnesiuz, Via della Lungara 230. Over 100 fierce lith-ographs by the French artist. Honore Danmier, most of which originally appeared in the Pari-

sian satirical paper Charivari. Until Feb 28. Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle gen-eration of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26

Palazzo Reale. Avant-garde Russian painting from private collections (1904-1934). A remarkable exhibition organised by the Commun of Milau and the Soviet Cultural Foundation, and sponsored by Pirelli, of works from 19 private collections in Moscow, Lemingrad and Kiev, none of which have ever been seen in the West. Until March 5.

Castello di Rivolt. Alberto Gia-cometti (1901-1966). A retrospec-tive of the Swiss artist's major tive of the Swiss artist's major works, in large part those shown in the French payllion at the 1962 Venice Blennale, A fascinating side show to the main exhibi-tion is Glacometti as seen by photographers. including 129 photographs of the artist by fam-ity, friends and masters covering his life from the age of eight up to his funeral. Until Feb 26.

### New York

Nakliamkin Gallery, Out of more openness in Moscow and better US-Soviet relations, Eduard Nak-hamkin now has a New York The first New York show comprises more than 200 paintings, drawings and decirative objects from the Pushkin era, borrowed from the Pushkin era, horrowed from Leningrad and Moscow museums. 1655 Medison Av at 30th St. Ends Feb 20.
National Academy of Design: The 164th annual juried exhibition includes 183 works. In accordance with a rule change in 1981, this show comprises work only by academy members, alternating with onen competition in

by academy members, alternat-ing with open competition in even numbered years. Ends March 26.
Museum of Modern Art. In advance of its arrival at London's Hayward Gallary in November, the first retrospective of the work of Andy Warhol since 1970 surveys all his work from the 1950s. covering the Campbell's 1950s. covering the Campbell's Soup cans, silkscreens on canvas of Eivis, Jackie Kennedy, Mari-lyn Monrée and other movie stars, disaster paintings and numerous self-portraits. Ends

#### Washington

National Gallery of Art.
Cezanne: the Early Years.
Already seen at London's Royal
Academy of Art and the Musée
d'Orsay in Paris, the exhibition
comprises 65 oils and 35 drawings showing Cezanne's proto-impressionist techniques from 1859
to 1872 Ends April 30.

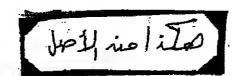
Art Institute. Dante Gabriel Rossetti. J.E. Millais, Edward BurnsJones and Simeon Solomon takecentre stage for this British
drawings show, called "From
the Ridiculous to the Sublime,"
which covers a century from
Thomas Rowlandson's satires
through Turner and Lear to the
pre Raphaelites. Ends March.

National Museum. Treasures from the Ninnaji Temple in Kyoto. The temple is a recognised centre for the gentle arts of the taa ceremony and flower arrangement and its treasures include beautiful git Buddha statueties, lacquerware and porcelain from the Heian period. Closed Mondays.

Striped House Museum. Exhibition of paintings by Kiyoshi Koizumi, third son of the late 19th century writer, Lafcadio Hearn, who became a naturalised Hearn, who became a naturalised Japanese citizen. Koizumi's life and work were inevitably torn between eastern and western

between eastern and western influences.
Japan Folkcraft Moseum, Komaba. East Meets West: ceramics and etchings by the two greatest potters of the 20th century, Bernard Lesch and Hamada Shoji, who were lifelous friends, Closed Mondays, Idantism Museum Aris and

Identisu Museum, Aris and Crafts from China. This museum boasts a superb Chinase collec-tion, of which only a small selec-tion can be displayed at one



BELARY



## Richard III

PHOENIX THEATRE

Howerd I am not sure that I ingly delivered to drive the want to see him as Richard III. point home.

My doubts are intensified by Mr Jacobi's splendid vocal Derek Jacobi's assumption of technique ranges from brazen-Shakaspeare's crouchback toned trumpeting to a bass which, for the first half of the rasp of self-loathing on the eve evening at least, is played for laughs in a way that irresist-ibly recalls the great Francis' inimitable blend of prissy disapproval and the costly confid-

By the time that Mr Jacobi, or possibly the director Clifford Williams, gets round to realis-ing that Richard is a homicidal maniac as well as a lovable clown it is too late. The audi-. mood of rib-nudging giggles, react against; thus Lady and the result bears as much ralation to the murderous Machiavel as 'Allo 'Allo does to this joker, make her look silly: Nazi occupation — a sort of a challenge Kathryn. Pogson medieval campery (Forsooth But then from the meal the for course Richard is — has to be — funny; great as well as few crumbs of coursels. ence is happily ensuared in a mood of rib-nudging giggles.

to be - funny; great as well as few crumbs of conviction are not so great interpreters leave left for his colleagues. Some us in no doubt. But he must be use deliberate understate

ism seems to have strayed in from a century before; does it colonnaded walk, its roof a share a pool of mix-and-match catwalk, backed by dark pillascostumes with its companion, ters that variously frame grills, Richard II?), with his gratings and prison walls; an swept-back hair and questing impressiva set against a profile Mr Jacobi resembles a stormy sky for dark deeds that ross between Cherkassov as Ivan the Terrible and my distinguished colleague from The Observer. The opening scenes find him leaving no gag uncracked no punch unpulled, from a wriggling tongue to illustrate Jane Shore'a "perleasing" use of that organ via vaguely sexual gestures when vaguely sexual gestures when convincingly a king's son; the Edward IV has "overmuch conlittle cockney Duke of York sumed his royal person" to the takes after his mother. final lowering revelation of a Nietzschean superman with his

---

Much as I admire Frankie "That - WILL - I", linger-

of Bosworth that emerges as unexpectedly from his frame as any dubbed diabolic obscenity from the possessed victim in a horror film. He deploys a casu-ally colloquial tone to deflate, puncture and undercut: "I like you lads" (to Clarence's murderers) is the team manager's approval of his succes ful striker. The trouble is that this often leaves the other players with nothing serious to

rightening also; first cousin to Edmund and Iago, otherwise the play loses its moral halance and becomes a ghoulish comic strip on the lines of Marlowe's Jaw of Mailowe's Jaw of Mailowe's Jaw of Mailowe's lines, Mr Jacobi has the comic relish for a splendid Barabbas.)

Historically inaccurately bearded (but much of the production's all-purpose medievalism seems to have straved in the seems to have straved in Carl Toms' design reveals a

Carl Toms' design reveals a

Martin Hoyle

## William and Mary style, USA

Paula Deitz visits the Cooper-Hewitt Museum, New York

stranged by category - includ-ing furniture, silver, textiles,

ceramics, glass and silver, along with the prints and drawings that dictated the designs for the period from the

1670s to the 1720s - what becomes immediately obvious is that this was in truth the

first international style.

Although individual artisans

incorporated various kinds of

flourishes and embellishments in their wares, it is difficult to distinguish even regional dif-ferences that became more

n a sense, the exhibition now in New York called Courts and Colonies: The William and Mary Siyle in Holland, England and America is both a complement and a counterpart to the recent exhibition at Christia's on tha Anglo-Dutch garden of tha same period. Here, to celebrate the tercen-

ary of the Glorious Revolution, the point of departure is the evolution of the richly ornamental and unified interiors that extended to the gardens, rather than the other rinding this show at the Cooper-Hewitt Museum in New York rather than at the Victo-

ria and Albert Museum also points up the full extent to which the American Colonies were themselves small courts of sophisticated style, and not, as one Boston curator puts it, "a tag-end provincial culture."

New York was Dutch before New York was Dutch before it surrendered to the English in 1664; and, as New Amsterdam, it had already begun to flower under the early Dutch baroque before the William and Mary style surved in the form of imported goods and immigrant artisans, Boston and Philadelphia were also coming into their own with wealthy collectors and patrons. wealthy collectors and pairons
who sought, as the catalogue
suggests, "high quality and
current design."
As the 250 objects on exhibit
from England, France, Holland
and the American Colonies are

obvious in later periods.

The small darkly-panelled rooms of the Cooper-Hewitt's Carnegie Mansion, where the objects are installed, resemble collectoral cabinets of the period. Objects of singular beauty, like the delitware arrayed on shelves over a fire-place mantel, become complementary elements in a series of

overall symmetrical patterns that were the popular way of displaying like accessories.

Because no attempt has been made to create realistic room settings, the focus is on the architecture of the individual objects. A four-tiered silver buffet becomes a stage for over 30 gadrooned and fluted vessels embellished with shells, scroll-work and ornamental masks. As dining was invested with more variety, elaborate forms were developed to ensure proper service; in each case a Colonial piece can be compared with its Continental source.

The Boston monteith or

Coney, for example, based on Marot-style designs of C and Secrolls, is as baroque as one by Samuel Lee in London with equally fierce lion-mask handles. And along with tea pots and coffee urns are three inge-niously designed silver chocolate pots for the newly-popular heverage. Coney was the first New England silversmith to make a chocolate pot, the one here is shaped like a Chinese vase and has the usual removable finial so that a stirring rod could be inserted. And from their the hold designs, the dra-matic wine fountains were

only one step away from being

garden fountains.

garden fountains.

Because each selection in the exhibition makes a valuable point about the period, this is the kind of display that sums up a period sociologically and historically rather than overloading the senses with a glut of detail. To emphasise the importance of the ubiquitous suite of furniture, including table, mirror and candlestands. table, mirror and candlestands, there is only the carved, painted and gilded set from Hopetoun House near Edin-burgh and the solid silver mirrorframe and table, engraved and embossed all over with fruits, flowers, cherubs and scrolls, which was lent by the Queen. A drawing of a similar suite by Marot completes the

picture. When the distinctive chairs

wineglass cooler by John in America, one can say that Coney, for example, based on America had arrived, and these have become an enduring symbol bere of tha period. The high-chests on legs made in the Colonies were more subtle in design with inlaid floral motifs, but no less exuberant than the English-style cahinets with painted flowers on carved silver stands. Hangings and coverings of silk damask and cut velvet further enriched the

Although one thinks of the Governor's Palace in Williams-burg, Virginia, as being the ultimate expression of the Wil-liam and Mary style in Amer-ica, the Palace has actually been restored to a later 1770

inventory.

The true gem of the period is the Trant House between New York and Philadelphia in Tran-York and Philadelphia in Tren-ton, the capital of New Jersey. Here in 1719 along the Dela-ware River, William Trent built his red brick mansion, which has been restored according to a 1726 inventory with a superb collection of Wil-liam and Mary crested high-hacked chairs, tables and japanned cabinets. It may not be Dyrham, but it demonstrates how well the Chief Jus-tice of New Jersey lived at that

Courts and Colonies, which closes at the Cooper-Hewitt Museum on February 12, When the distinctive chairs reopens at the Carnegie with carved, high vertical Museum of Art, Pittsburgh, backs and caned seats arrived from March 18 to May 28.



Bust of William III as King of England, wearing the extravagant mouchoir, or neckerchief, popular dur-ing the period. Tin-glazed earthenware

## Siblings

LYRIC STUDIO, HAMMERSMITH

The actor Peter Eyre has tracked down a manuscript of Klaus Mann's 1930 play Siblings (Geschwister), based on Cocteau's Les Enfants Terribles, and translated it with the help of Tania Alexander.

The play is hardly known and never done in Germany. But Mr Eyre's archaeology is neither plous nor futile. Directing it himself, he has polished up a little company an increase play. in a little gem, an incest play that wallows in the pathological symptoms and curious rituals of an illicit, but joyons, bedroom game, it also flashes up a feasing the page of the page. fascinating view of the new hedonistoic, privileged inter-

War Europeans.

The first surprise, in fact, is how very closely Mann follows Coctean's novel. His distillation of it is efficient and faithful, with a clever elaboration for stage purposes on the old maid Marietta (delightfully Rose Hill). The rich American suitor (Steve Rhm) stumbles on a regressive nursery of mnemonic props, late-night snacks, a Josephine Baker doll. He comes alive best at his own

Coctean thought Mann had bent the place to his own obsessions with Socialist Ger-

many. But the Other World of Stalin's address to the workers, of Nuremberg, of the American Unemployment figures, is only briefly mentioned. It is resolutely Parisian, nothing like Mann's 1936 tumultuous national novel Mephisto.

Otherwise, Mann's response to Cocteau, fuelled by his own infatuation with his sister Erika, is to the private world of schemes and bedclothes bur-rowing. This world is well imagined in the simple but effectiva design of Philippe Brandt, an arrangement of standing salmon screens fianked by two grey classical arches. The gallery of pin-ups includes Jack Dempsey, Valen-tino, Jean Gabin, and the char-ismatic Dargelos, the boy who literally and mataphorically falls Payl in the first charter of fells Paul in the first chapter of the novel with a stone-infested snowball

really louche Noël Coward. Gerard (Mark Tandy) and the mannequin Agathe (Kitty Aldridge) are encouraged only to be excluded, like the bores in Private Lives. But a deep tragic twist is supplied by the murderous intervention of Elisa-beth, likened by Cocteau to the weh-epinning Arachne of

Greek legend. Paul deviates amorously, normally, spoils the game.

Cocteau'a last eerle chapters are well done here, with shad-ows and silhonettes, people appearing round corners with candles, and a final deathly pieta of poisoned hrother and ecstatically suicidal sister. The lights dim before the gun goes off. Suzanna Hamilton's Elisa-

beth exudes a casual sensuality that is absolutely perfect, as is her natural smile of twisted innocence. She and Simon Cutter as Paul, spiteful and impulsive, a very fine per-formance, suggest how Henry James's children in The Turn of the Screw might have grown np. What the play cannot transmit is the aroma of the opium den, the drug-suffused dreaminess and luxuriance of Coctean, although the five Romantic music

A short, enthralling and worthwhile evening, notably well costumed and presented, with the exception of Miss Aldridge's unfortunate wig on which I heap scorn and all due

Michael Coveney

#### The Royal Academy's plans for 1989

The Royal Academy yesterday \$450,000 guarantee against loss announced an off heat programme for 1989, encouraged of Gemlestaden. tury Dutch artist Frans Hals, and later in the year Monet is celebrated with a show devoted by a successful 1968. Attendances rose by 23 per cent, to 943,666, by the end of the RA year, and the institution, not funded by the Arts Council, produced a surplus of £150,000. There is no mind hlowing show for the next 12 months but some intriguing displays. The first, from March 17, is

On Saptember 23 until Christmas in the Main Gal-

eries the RA mounts the most important celebration in the Important celenration in the UK of 150 years of photography, rather surprisingly, has failed, as yet, to find a sponsor.

Looking ahead into 1990, on January 13 in the Main Galleries Unilever is sponsoring the most important ever discountered.

the most important ever dis-

play of work by the 17th cen-

to his "series" paintings of the 1890s - haystacks, Ronen Cathedral, and London.

The Summer Exhibition runs from June 10 to August 20. Last year just over £1m worth of art was sold (slightly less than in 1987), but the average value of each work rose by £40, to £406.

**Antony Thorncroft** 

## Olaf Baer

For Hugo Wolf the years 1888-9 were the double annus mirabihis of his composing career. The centenary of the first seems to have gone unnoticed in 1988, but this year Geoffrey Parsons has organised a fitting celebration in tha form of six Lieder recitals at the Wigmore Hall, each with a different singer, which will embrace all the Goethe settings of that glo-

rious period.

The first was on Wednesday with Olaf Baer, aspiring heir to the Wolf mantle. Since the Wolf Society recorded edition in tha 1930s, which promul-gated the composer's songs for the first time, his music has gained in currency and a dis-tinct tradition of Wolf singing set in train by leading German Lieder singers: after the war Schwarzkopf and Fischer-Dies-

kau, and now Baer, to judge from his current programmes. With Baer, however, that tradition has taken a turn. Unlike his immediate predecessors, this young baritone responds this young baritone responds primarily to the music in the songs and the listener reacts accordingly. Faced with singing as relaxed and beautiful as that in atmospheric pieces like "Frühling über's Jahr" or "Nachtzanher", nohody is going to refuse the invitation to lean back and drink in this singur's flow of honeved tone.

singer's flow of honeyed tone. Where Baer does fall short, though, and in my opinion decisively so, is in any songs involving narration or personal feelings. In "Beherzigung" and "Der Mnsikant" I recall Schwarzkopf getting Wigmore audiences to bury their heads eagerly in their programmes to

find out what euch gripping texts could mean. At the same point Baer's listeners are still eaning back in their seats and a world of wry observation and poetic wisdom has passed them

In the first half we had Schnbert, mostly from the early years. Although the voice had yet to settle into its best focus, there was much sensi-tive work to admire, notably in "An der Mond", where the young Schubert has his moon beaming down over the triplets of Beathoven's Moonlight Sonata. Geoffrey Parsons made much of that accompaniment. as he did the first of the many await him over the next 12

Richard Fairman

## FPC Young Singer of the Year

The National Opera Studio, where advanced young opera-singers coma for the final touches of what the Italians call perfezionamento, has found a novel way of providing the stimulus of competition among its students. This is competition without some of its more debilitating aspects: an annual concert of arlas-with-plano, one per singer, before a small team of judges, with just one prize (of £1,000). The main advantage of this purely "in-house" event is that it is not of earthshattering significance for either the winner or the others - merely a very pleasant bonus.

For the Young Opera Singer of the Year prize, now two years old, the NOS have found an "angel" in the Financial Print and Communications company, who pay for the event, prize money included, and invite the guests to the found soubrettish.

Purceli Room. This kind of I was much more enlightened sponsorship, at the all-important student stage, is of enormous value in these difficult times; hut evidently, as Wednesday's concert was so much enjoyed by everyone, the benefits work both ways.

Last year, the first, the indges were Geraint Evans,

Anne Howells, and myself — so naturally I thought they got it right. This year, they were Lord Harewood, Josephine Barstow, and John Higgins — so naturally I'm at liberty to think they got it upperly The think they got it wrong! The standard of this year's 12 was both high and even, with no obvious disappointments, and final decisions must have been harder than last year. The prize went to the high soprano Tracy Bounden, who has already appeared at the Colseum (while understudying Valerie Masterson in Xerxes). She sang Blonde'e "Durch Zārtlichkeit," with great neatness, ease, and facility — no mean feat — in tones and manner I

I was much more impressed hy the baritone Jonathan Veira, who (in spite of uni-

diomatic German words) gave Wolfram's Evening Star air a depth of involvement and a range of dramatic colour untouched elsewbere - he has a hig, exciting voice (rather like Ingvar Wixell's when young) which he uses with energy and musical authority, and he should go far. Of the others I should also mention two very interesting and promising sopranos on show, Regina Nathan (einging La Wally's aria with purity and dramatic power) and Helen Adams (a not quite polished Violetta of enormous potential); and two eparkling mezzos, Elizabeth McCormack and Louise Crane (who received a "special men-tion" for Eboli's Veil Song). This event is both enjoyable and admirable: one hopes it

Max Loppert

direction with some vividness.

the finale's curiously broken-

Esa-Pekka Salonen took

cution was largely maintained.

Michael Collins was a supple,

inventive soloist in Debussy's

## takes to the streets!

The monthly magazine for expatriates published by the Financial Times is now on sale in selected newsagents and bookstores in Madrid

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COMPANY (COMPONING)

STANDED BEHAVE

#### **ARTS GUIDE**

The Royal Treasures of Sweden, 1550-1700, in the Diploma

Galleries and backed by a

Continued from Page 14 MUSIC

English Chamber Orchestra conducted by Jeffrey Tata. (Mon.) Barbican Hall (638 8891). Young Musicians Symphony Orchestra presents a Tchaikov-sky evening (Wed). Barbican Hall (638 8991). London Symphony Orchestra conducted by Rafael Frübeck de Burros, Janies Cairns de Burgos, Janice Cairos

(sourano) and Janice Taylor (con-traito) sing Verdi's requiem. Bar-bican Hall (638 8891).

Dame Janet Baker with Geoffrey Parsons. Schubert, Mahler, Men-delssohn, Fauré. (Mon) Théâtre de l'Athenée (47 42 67 27). Orchestre Colonne condu by Philippe Entremont, with Deszo Ranki (piano), Mozart, Bartok, Mendelssohn. (Mon) Théatre des Champs Elysées (47

20 35 37). Christa Ladwig (soprano), Charles Spencer (piano), Mah-ler's Lieder und Gesasnge aus der Jugendzeit. (Mon) Chatelet (40 28 28 28).

Wiener Bachsollsten conducted whener management conducted by Ernst Wedam, Mozart, Haydn. (Wed). Musikverein. Suk Kammerorchester conducted by Ahmed Eisaedi (Thurs) Musikverein.

Brussels

Jean Ferzard (organist) performs works of Messiaen Eglise des

Carrnes (Fri) (512 5045) Liège Philharmonic Orchestra conducted by Pierre Bartholomew with Robert Groulot (plano) performing Bartok, Milhaud and Stravinsky. (Sun) Palais des Beaux-Arts (512-5045). Andrei Nikolsky (plano) playing Chopin and Scriabin. (Wed) Choim and Schaull. (Wed) Palais des Besux-Arts (512 5045), RTBF Symphony Orchestra con-ducted by Andre Vandernoot performing Fountains of Rome by Respighi, Concerto for two pianos by Marcel Quinet and

Berlin

Berlin Philharmonic Orchestra under Riccardo Challiy and Jard van Nes (soprano). Dvorak and Berio (Fri, Sat) Philharmonie.

Tchaikovsky's Fifth Symphony. (Fri) Maison de la Radio.

Juri Temirkanove conducting Rachmaninov's Symphonic Dences op. 45 and Prokofiev's 5th Symphotry in B lat Mejor (Sun, Mon, Tues). Auditorium in Via Della Conciliazione (Wed). Teatro Olimpico, Piazza Gentile da Fabriano. (393304).

Wolfgang Sawallisch conducting Haydn and Richard Strauss (Mon) Teatro Alla Scala

Grzegorz Novak conducts the young Polish planist Kristian

Zimerman in a continuing series of Beethoven concerts with Lanca No.3, The Emperor Concerto and the 2nd Symphony (Fri, Sat and Sun). Teatro Communale (2779236) minais (273236)

Boyal Concertgebouw Orchestra
conducted by Herbert Blomstedt,
with Yo-Yo Ma (cello). Haydn,
Bruckner (Wed, Thur). (718 345).

Utrecht

Netherlands Philharmonic under Ken-Ichiro Kobayashi, with Joseph Swensen (violin). Weber, Bruch, Tchaileovsky (Mon).

William Sharp baritone recital

with Steven Biler (plano), Pou-lenc, Hogo Wolf, Virgil Thomson, John Musto, Paul Bowles, Eric Klein, Mark Blitzstein, Gershwin. (Mon) Carnegie Hall (247 7800)
New York Philharmonic conducted by Leonard Slatkin with
Mark Peskanov (violin). Stanley
Wolfe, Shostakovich. (Tue) Lincoin Center Avery Fisher Hall (799 9595).

(789 5939), Maria Joso Pires piano recital. Bach, Mozart, Schubert. (Tue) Carnegle Hall (247 7800). Orpheus Chamber Orchestra with Arleen Auger (soprano). Haydn, Britten, Ginastera. (Wed) Carnegie Hall (247 7800) Juilliard Orchestra conducted by Leonard Slatkin. Schwantner, Beethoven, Shostakovich. (Wed) Lincoln Center, Alice Tully Hall

Washington

Netional Symphony Orchestra conducted by Mstislav Rostropovich, Andre Watts (piano).

#### February 10-16

Holst, Schubert, Beethoven, Berlioz. (Tue) Kennedy Center, Concert Hall (254 3770) cert Hall (59 3770) Hermann Baumann French horn recital with Leonard Hokanson (piano). Chabrier, Brahms, Beethoven. Baumann, Pileger, Dukas. (Tue) Kennedy Center, Terrace Theater (254 9895) Prague Chamber Orchestra. Jer-emy Menuhin (piano). Profofiev, Mozart, Delius, Dvorak. (Wed) Kennedy Center, Terrace Th (254 9395)
National Symphony Orchestra
conducted by Alessandro Sicili-ani. Rossini, Mendelssohn, Res-pighi. (Thur) Kennedy Center,
Concert Hall (254 3770)

Chicago Symphony Orchestra conducted by Erich Leinsdorf with Ruben Gonzalez (violin), Dale Clevenger (horn), Edward Dryzinsky (harp) and the Chi-cago Symptony Chorus, Haydn, Chausson, Brahms, Debussy. (Thur) Orchestra Hall (435 6666)

Tokyo

Dang Thai Son (piano). Chopin, Debussy. (Mon) Suntory Hall (235 2243) Japanese Classical Music. Seiha Roto Ensemble. (Mon) Toshi Cen-tre Hall, Akasaka Mitsuke (288

2965) NHK Sympleony Orchestra con-ducted by Horst Stein, with Isa-belle van Keulen (violin), Kelter-born, Saint-Sasns, Franck. (Wed, Thurs) NHK Hall (465 1780) Tokyo Metropolitan Symphony Orchestra conducted by Jerzy Maksymiuk. (Wed) Tokyo Bunka Yolkon (1999 1991) Kaikan (822 0727)

## Lutoslawski

**FESTIVAL HALL** 

The programmes Lntoslawski has put together for the cur-rent Philharmonia series are as fastidious and lucidly conand Ursnla Holliger and accompanied by the Philhar-monia under the composer's ceived as his own music. Each The Concerto emerged as more places his work in a different context, teasing out the influ-ences and setting np some backed march became a genuunexpected correspondences. ine catharsis, an almost surreal close to a work in which suggestion and half-statement have been the rule. The last concert, for instance, will combine his Third Symphony and Cello Concerto with Haydn, and Wednesday's event gave an exclusively French set-ting to his jewel-like Double charge of the remaining works and the high standard of exe-

Concerto for oboe and harp. Nothing in Lutoslawski's output is more deceptively simple than the Double Concerto; its textures (strings and percussion only) are thinned to diaphanous proportions, so that the smallest gestures quick-witted obee roulades, trickles of barp tell instantly, and the movements can change their character from moment to moment. Though the sensibility and care of the instrumental parts have clear French affiliations, there is also a curious parallel with Britten in some passages, not so much in the solo parts themselves hut in the orchestral writing around them. It was outstandingly played

here by the dedicatees Heinz

clarinet Rhapsody, and the first suite from Rsvel's Daphnis and Chloe made a refreshing change from its more familiar successor. Roussel's Third Symphony was meatily done, with the first movement given full sym-phonic weight, and the others the right degree of flamboyance. The appearance of a tam-bourine in a symphony always seems a shade de trop - it would only ever be allowed in a French symphony - but the finale was given with such good humour it was made to seem entirely appropriate.

**Andrew Clements** 

#### FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY Telex: 8954871 Fax: 01-236 9764/5 Telephone: 01-248 8000

Friday February 10 1989

## Bleak outlook in Afghanistan

doubt that the Soviet Union is respecting the deadline, now only five days away, which was set by last April's Geneva accords for the withdrawal of Soviet troops from Afghan-

Nor can there be any doubt about the bleak future facing the long-suffering Afghan people. A shura (religious consultative assembly) meets today in Rawalpindi to try to formulate a pattern of governments. late a pattern of government for the future; its delegates are divided by ambition and jeat-ousy. Guerrilla groups which have lost more than Im men resisting one of the world's military superpowers, and which in the beginning were which in the beginning were often armed only with antique rifles and pride, apparently cannot conquer their internal differences to restore peace to

their troubled land. No tears need be wept for the Soviet humiliation. After the appalling damage done to Afghanistan, that was the least that Moscow deserved. The Soviet Union did, after all, continue to seed mines after the UN accords were signed - at least 30m mines, or two for each Afghan, lie huried and unmapped to blow the peasants and their livestock to pieces for years to come. But the clear demonstration that a great power can no longer antomatically impose a regime or a political programme on a small neighbouring country by military force is something very much to be welcomed.

#### Arming clients

But celebrations even in Western capitals would hardly be seemly when the with-drawal leaves Afghanistan in such a sorry state and with hardly even a chance that the war is coming to an end. The West, particularly the US, must bear some responsibility for this. Last year's Geneva accords, of which the Soviet Union and the US were guarantors, did not serve the cause of a peaceful solution by implicitly permitting the superpowers to continue arming their respective clients in the con-

Of course it is unreasonable to expect perfect peace, any more than perfect democracy, in a country where tribal war-

Priority for

traditional way of life. Whatever government is in power in Kabul, it is unlikely to have full control of all the countryside. But that does not mean the world should reconcile itself to seeing Afghanistan partitioned between two or three rival governments, each supported by an outside power.

#### National unity

The Soviet Union has recently been pleading for a government of national unity, the composition of which should be negotiated by all parties. It is understandable that the resistance should feel the Soviet Union has no creden-tials to make such a request and that the Communists whom Moscow maintained in power are collaborators with no right to any role in the new order. If the resistance were order. If the resistance were united and in a position to win a quick and orderly military victory, it would have a good moral and political case for doing so. But unhappily it is not. The dice have been loaded promising elements by support from external interests, most notably Pakistan's military

The US has been too slow to recognise that Pakistan's preferences in this matter were not dictated primarily by considerations of military efficiency, but by the desire to avoid the emergence in Kabul of a strong Pushtun leadership which might support separatist demands for "Pushtunistan" on the Pakistani side of the border. That led Pakistan, even when Ms Benazir Bhntto's father, Mr Zulfikar Ali Bhntto, was Prime Minister — in the days before there was a Communist regime in Kabul – to support Islamic dissident movements in Afghanistan.

As long as the first priority was to drive ont the Soviet invaders, the West had some excuse for going along with Pakistani policy, since it was the necessary conduit for Western aid. But the moment has surely come for the West to insist that Pakistan allow the creation of a broad-based gov-ernment, in which the Pushtun tribes that had always been the backbone of the Afghan state will be given their due weight.

## tax reform

IN A PARALLEL universe, another Chancellor of the Exchequer has been preparing his budget speech. Using a hyperspatial channel of infor-mation about our UK, the parallel Treasury is developing an audacious proposal for reform of the hitherto unified system of income tax. A disgusted civil servant has, however, leaked an important internal memorandum on the subject.

"In 1988-89 our income tax raised the sum of £75bn, up from £38bn in 1979-80. This represents a small real increase over the period, a fact that undermines our claims to being a tax-cutting Govern-

"Following our counterparts in the parallel universe, we should split our income tax called 'income tax,' the other to be called 'national insurance contributions. Your counter-parts have gained extraordi-nary success in this way. Since 1979-80 nominal national insurance contributions have risen almost threefold over there, to £32bn, while income tax receipts have risen by only 63

per cent, to £42bn.
"You will find national tively invisible way of target-ing favours on your most loyal supporters. For example, income in kind (notably, company cars) and investment income will be exempt from national insurance contributions. In addition, between the ceiling for national insurance contributions (£305 a week) and the floor for higher rate tax (around £500 a week for a married man with mortgage interest deductions of £3,000) the marginal rate of income tax and national insurance contributions, taken together, will be 25 per cent. This is well below the 34 per cent combined marginal rate that will apply to those earning between £105 and £305 a week.

#### Contributory principle

"The justification advanced for this form of taxation will be the contributory principle. Contributions will be deemed to go to the National Insurance Fund, from which are paid retirement pensions, sickness, invalidity and unemployment benefits. Your counterpart takes great pride in having reduced the Treasury contribu-tion to the fund to 5 per cent of

"The justification is, of course, bogus. National insur-ance contributions meet the criterion advanced by Mr Richard Darman, the Director of the US Office of Management and Budget: if it looks like a duck and quacks like a duck, it is a duck. National insurance contributions will not he related actuarially to benefits, but will be a form of hypothecated revenue. There will not even be a pretence of a contrib-utory relationship in the case of employers' contributions, which are to be subject to no npper limit on earnings. In short, national insurance contributions quack loudly.

#### Indexed to inflation

"But the contributory principle can be used to justify an overall income tax that will become markedly less progressive with time. One reason in the parallel universe is that state pensions have been indexed to inflation, while the npper earnings limit for employees national insurance contributions is related to the state pension. Consequently, that limit has been falling, from 43 per cent above average earnings in 1982 to only 24 per

cent above it today.
In addition, at the lower limit of national insurance contributions (at an income of £41 quent steps in the schedule (at £70 and £105 a week) the higher rates will be applicable to all earnings below that level. Consequently, the mar-ginal rate of national insurance contribution will exceed 100 per cent at those points. The parallel Institute of Fiscal Studies has shown that bunching in the earnings distribution has been the result. We have been unable to discover any reason for these peculiarities,

but presume there is one." At this point "enough of this absurdity" is written in the Chancellor's hand. Apparently, he concluded that the scheme was simply unacceptable. Why then does the British Chance lor think that tax reform has been completed? National insurance contributions are a major distortion in the tax system. Mr Lawson has ignored the problem for too long.

David Marsh talks to West Germany's Helmut Kohl

## A Chancellor for all seasons

elmut Kohl, the West Ger-man Chancellor, intends to steam like a heavy-hulled Rhine barge through

Bonn's political shoals.

After his latest election npset in West Berlin, squabbling in the government coalition and an international row over involvement of Ger-man companies in Libya's suspected chemical weapons factory, less self-confident men than Mr Kohl might be looking beleaguered. In fact, after being at the helm in Bonn for more than six years, he is responding to his difficulties by stoking up the govern-mental engines and ploughing on. During a combative two-hour inter-view in the Chancellery this week Mr view in the Chancellery this week, Mr Kohl went on the attack by calling for

full exposure of other countries involvement in construction of the Libyan plant. "If there are German firms involved, we will prosecute them with the full force of the law. And should there be American firms involved, or others, then the conse-quences should also be clear."

He brushed aside his Christian Democrats' sethack in the Berlin poll at the end of last month – the latest in a string of regional election reverses over the past two years — as partly a reaction to "necessary cuts and sacrifices" the Government is trying to push through in vital areas like
health spending. "What I have to do is
to continue this policy with great
decisiveness and staying power."
He made clear that Bonn will not be pushed into any early decision on new short-range nuclear missiles which the US and Britain want stationed in

West Germany from the mid-1990s. Over the hotly debated "modernisa-tion" of the Lance nuclear missiles, Mr Kohl says: "The real decision over the production (of any Lance successor) will be in 1991-92. Only then will the question of the ageing of Lance really come up for discussion."

This will be discussed at the Nato

summit to London to the early summer. "I expect from our Nato partners that in a sensible conversation - and I have no doubt we will reach that we will come to a common solution. The most stupid thing we could do would be to play ourselves off against each other. Then the Soviet Union would be winners, I want a common position. I will not allow anyone to doubt our will. Absolutely nobody."

The Chancellor deeply resents assertions elsewhere — particularly in the US after the Libyan affair — that the Federal Republic is becoming an unreliable partner in Nato, increas-

The Chancellor resents assertions that West Germany is becoming an unreliable Nato partner

ingly tempted by its ties to the East.
"I stick to my position over the unity of the (German) nation. But the Federal Republic is part of the Western world. I said this to Gorbachev: there is no price at which we could be, so to speak, bought out."

His underlying **m** West is that the rest of Nato and the European Community will have to accept a stronger and more assertive Federal Republic that will no longer allow itself to suffer a subtle form of international discrimination because of the Nazi past. And, by emphasising the growing polarisation of German politics between left and right, he delivers an unspoken warning. If Hel-



Helmut Kohl: confident of election victory next year

mut Kohl and the CDU should fail, the West could find the alternative of a left-wing government very much more difficult to deal with.

Mr Kohl says be has "not the slight-est doubt" that his centre-right coali-tion will win the next general election at the end of 1990. He says left-wing elements taking a neutralist anti-Nato stance among the Social Democratic Party and the Greens "are not capable of achieving a majority." But, in areas like defence, he warns the West: "They want a different republic."

Burly and fearlessly anti-intellectual, he likes to point out that he was good at football, but he says he is also one of the chief users of the Bundestag's library. He is a man of massive

certainty. Faustian wavering appears unknown. One of his favourite expressions is "entirely unequivocal."

On the other hand, he tends to be very defensive and thin-skinned. Many years of being the butt of the left-leaning parts of the German media have taught him to sense a barb in a question when none may be there. More than half a dozen times there. More than half a dozen times during our conversation, he retorted in one form or another that he did not is in now to govern

His mind wanders ceaselessly in search of a favourite anecdote or well-honed political slogan. Mr Kohl appears to relish a verbal tussle, and politely prefaces a diatribe with the word "Excuse me." An interviewer needs strong lungs — and also needs to enjoy being told by Mr Kohl in homely Palatinate German that his views are "absurd," "rubblsh" or In the Berlin election, the CDU lost control of the city government and saw the ultra-right Republican Party gather 7.5 per cent of the votes. Mr Kohl says that "through demagogu-ery," the Republicans, a nationalist grouping which has gained ground from disappointment on the right with Mr Kohl's policies, succeeded in highlighting the issue of the large presence of foreigners in the city. Mr Kohl declares that Article 16 of

the constitution, laying down the right to asylum in West Germany of those who are politically, racially or religiously persecuted, will not be changed. "This is the result of the experience of the Nazi barbarities." But he adds that, over the long run, "it is not tolerable politically" that the asylum laws should be misused by many thousands of "personnic rofts. many thousands of "economic refu-gees" from the Third World.

He sees his domestic political prob-lems squarely in terms of the chal-

lenges of the proposed post-1992 inte-grated European market. This, he says, provides the necessity for making often unpopular changes in the tax, pensions, telecommunications msmbers of the European Commu-nity, the Federal Republic after 1982 will no longer be the same. Our problem is that we have prosperity today as never before. This prosperity has led to people becoming sated in cer-tain respects. Too many people think this will automatically continue toto the future. My duty is sometimes to tell people unpleasant things and to say that we cannot go on like this . . . We are the No 1 exporting country in the world and we will only be able to export if we continue to provide first class goods at sensible prices."

One of Mr Kohl's most pugnaciously expressed points is that the rest of the world does not understand the problems of trying to run a divided country with a proportional voting system, a liking for complex coalitions, with conscription and 900,000 troops (West German and Nato) stationed on a territory only 220

kilometres wide.

"You (in England) do not have the problem of low (military) flying vis-a-vis the population which we have. We have people who say we don't need any low flying at all. A lot of people would like that. My policies are to tell people that what is necessary must be done. We can reduce, certainly, the number of low flights. But we cannot do every with them altogether."

do away with them altogether."

In spite of opinion polls showing a sizeable proportion of the population in favour of some sort of neutrality, in favour of some sort of neutranty, Mr Kohl says "the great majority" stands fully behind Nato and the allied military presence. More strongly than elsewhere in the West, people in the Federal Republic believe the threat from the Soviet Union has declined. The Chancellor says this is because "we are the most frontally because "we are the most frontally exposed country in the Western alliance... When Mr Gorbachev is in the White House, and when they sing (with President Reagan) songs to the evening there together like "Moscow Nights," people ask themselves whether the threat is the same."

Although declaring his whole.

Although declaring his whole-hearted support for, in the standard phrase, the "unity of the nation," Mr Kohl refuses to spell out precisely how German reunification could come about. "The idea - the vision - is that we want the political unity of Europe; and that freedom is more important than boundaries." On cutting down barriers with East Germany, he says: "Time is working for us. Mr (Erich) Honecker (the East German leader) can dig himself in, he can refuse to allow in magazines from the West, and now magazines from Moscow, but time will march on over Moscow, but time will march on over his head." Mr Honecker's recent remark that the Berlin Wall could exist for another 50 or 100 years was "obviously... a sign of weakness." Mr Kohl justifies the policy of buying prisoners' freedom from East Germany. "How is that immoral?," he asks. "That is a theoretical consider-

Mr Kohl rejects the idea that Germans are either extraordinarily good or

ation which you can have in your editorial offices, because you do not have responsibility. We also pay money so that Germans in Romania can leave. Should I sit here in my office in the comfort of the Federal Republic and shut myself off from the ersonal fate and persecution and terrible sacrifices of these people?"

extraordinarily bad.

He says that EC integration is acting as a magnet for East Germany.
"Why should I change my policies? I
do everything to maintain peace and freedom. Everything to stay in the Western community of values. Everything to build Europe. Everything to make the Federal Republic look to the future." With patience, this will all

lead, one day and in some form, to unity with the East, he says.

Over Libya, Mr Kohl says the Federal Republic "will have to change our laws very quickly. We will need to change our leaves on that no Germany. sharpen our laws . . so that no Ger-man citizens in any part of the world can be involved in the production of

chemical weapons."

Were not Bonn's public relations
over the affair badly managed? Instead of answering the question directly, Mr Kohl retorts that other Western countries export weapons to the Middle East and that the West the Middle East and that the West German state cannot stop companies, exporting unless there is proof they are breaking the law. "The whole time you say that the Germans have a special past. Why are you not fair and say that we need to pay special atten-tion to the legal foundations of the state?" The Government was told in May 1988 of the American suspicions state?" The Government was told in May 1988 of the American suspicions of German involvement in the Libyan plant. Mr Kohl says: "In October I heard for the first time of such a thing – the suspicion, from the BND (the German secret service), only the suspicion. We are a state based on law. If we do something different, many in the world write that they are after all Nazis, they do not have a state based on law."

He adds: "The Germans have nothing to hide. What angered us was the incredible assertions against

incredible assertions against Genscher (the Foreign Minister) and

me in American newspapers."

— Mr Kohl obviously likes power and says he enjoys the sense of duty — "I mean that you try to do the right thing." He claims he would not have difficulty filling his time if he were out of office. And he is honest enough to admit to some errors. Over the past six years he says he would have tack-led "totally differently" the question of winning acceptance for his policies. "That is the real problem of a modern democracy - not just a German prob-lem - that too few people can look beyond their own special situations." He also admits that his indirect.

comparison to autumn 1986 between Mikhail Gorbachev and Joseph Goeb-bels was a mistake. Mr Gorbachev is bels was a mistake. Mr Gorbachev is coming to Bonn in June and Mr Kohl says: "It is in the interest of the West that Gorbachev pushes on with his 'opening' policy. When they open up to outside influences, we will come into quite a different competition of ideas and ideology."

The Chancellor rejects the off-held idea that his countrymen are either

idea that his countrymen are either extraordinarily good or extraordinarily bad. "The Germans are entirely normal people, just as in Britain. What do they want? They want to live in peace. They want to live in free-dom. They want social justice. They want a good livelihood. They want bappiness in life. They want to be glad, they don't want to walk around stressed, confronted from morning to evening with the burden of history. There are however people who want to persuade us that we should not be allowed to do this."

As for his own personality, he rejects all the cliches. "I do not sit out problems. There are those who say I do not read government docum gestions that he succeeds only when the political sun shines. If it is snow-ing outside, I have to put a thick coat on . The German republic is not a sunshine republic, and I am not a sunshine Chancellor. There are many people who say of me, the greater the pressure, the stronger I will be. And that's why you will see that I shall win the general election next year."

#### A bunch of losers

The trouble with the British water industry is that it is so divided. It has no strong or bullying figure like Sir Denis Marshall of the CEGB, or Lord King of British Airways capa-ble of taking on ministers and officials in political in-fighting and winning.
That is why the Govern-

ment, for all the mess it has got itself into over water privaisation, still manages to run rings round the industry.

Technically, the 10 regional water authorities have been well served to the negotiations by a team led by Andrew Semple, the managing director of Anglian Water. His background as a former top civil servant at the Environment Department, where he was responsible for water, and then as secretary of the Water Authorities Association (WAA), gives him unrivalled knowledge to pit against the

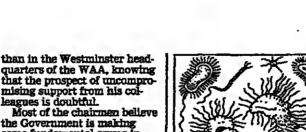
Government's advisers.

The problem is on the political front. The obvious leader should be Roy Watts, chairman of Thames, by far the largest of the 10. He is the person credited with launching the tortuous privatisation process when he challenged the Treasury early in 1965 for raising charges too much. He lost that battle, but persuaded ministers it might be sensible to get the Treasury off the industry's

back.

But petty jealousies are too intense to allow him or anyone else to lead strongly. All 10 chairmen act like medieval barons, refusing to surrender sovereignty in the common cause. In particular, there is and John Bellak, the dry-hu moured, sharp - tongued chairman of Severn Trent, the sec-

ond biggest authority. The man who has drawn the short straw, as nominal head of the unruly group as chairman of the WAA, is Gordon Jones, the boss of Yorkshire Water. But he feels more at home in his Leeds redoubt



OBSERVER

quarters of the WAA, knowing that the prospect of uncompro-mising support from his col-leagues is doubtful.

Most of the chairmen believe the Government is making some fundamental errors in the financial and regulatory preparations for flotation in November, but no one is speak-ing out. They are taking too seriously the autocratic advice from the Government's advis-ers, particularly Schroders, the merchant bankers, and Dewe Rogerson the marketing people, to keep quiet and have no dealings outside the industry, particularly with the media.

"United we stand, divided we fall . . . . it is too often the

latter," says one of the indus-try chiefs. So Nicholas Ridley, ths Environment Secretary, can do more or less what he likes.

#### Notwithholding

■ The casual reader of newspa pers may be forgiven for think ing that a withholding tax is some continental disease about to be inflicted on British savers by bureaucrats in Brussels. That is not so: we have all been paying withholding taxes for years, though we might have called them by a different

"Withholding tax" is a generic term for a tax deducted at source from interest or dividend payments - like the composite rate tax levied on bank and building society receipts.
But, usually, they are only
called withholding taxes when
applied to non-residents. These taxes originate in countries which rely heavily

on foreign investment. Taxmen

try to levy their share before

BANX

"First we conquer their food supply - then we make a bid for world domination.

the cash flows out of their reach in the form of interest and dividend payments abroad It is no surprise that Latin American countries have some of the highest withholding tax rates on interest payments: 25 per cent in Brazil, up to 42 in Mexico and up to 45 per cent

This type of levy provokes retaliatory action and is usu-ally resolved in bilateral negotlation between governments. The results are enshrined in the network of double tax treaties which criss-cross the Thus the UK applies a range

of different rates, depending On where interest or dividends are being remitted (and the bargaining power of the countries concerned); for instance, 15 per cent on interest payments to Belgium, 12 per cent to Spain, 10 per cent to France, and nothing to Germany. International corporations have years of experience of

subsidiaries in different countries. This creates a horrendous web for the European Commission to untangle coce it has settled the more mundane problem of taxing personal savings, that is. New Europeans ■ Perhaps there really is a new

Over 200 people turned np yes-terday lunchime to hear a talk by Christopher Patten, the Minister for Overseas Develop-ment, on the Lomé Convention at Jean Monnet House, as the London office of the European Commission is now called. Almost the same number, though not the same number, though not the same people, turned up at the Reform Club the evening before for the launch of the Bruges Group, which is meant to foster total lectual debate about the future of the Community. of the Community. The Bruges Group, however, has already had its first dissen

sion. John de Courcy Ling, the Tory MEP for Midlands Central, stood up and offered an undated cheque, but made a condition. He would date it, he said, only if the Group agreed to confine its political membership to the Conserva-tive Party. Lord Harris of Highcross, the chairman, declined to give that assurance and the matter will now go to a committee.

#### Man's world

■ There have been too many men in Observer this week. It is not deliberate. We try outte hard to be balanced. But of all the appointments we write about, nearly every one seems to go to a man. Even the Bruges Group appears male dominated, despite its sviritual leader.

But of course Sign in a West Midlands Athletics Club: "A three minute mile is only a matter of time."



ning to look more like Mrs Barbara Castle every day.

Like who? Mrs Castle was Britain's Minister of Transport

more than 20 years ago. Civil servants still remember her as a pillar of the Labour Left, a planner whose purposeful finger pointed to maps. Surely Mrs. Thatcher, the apostle of free markets, is not becoming that that?

She is and she isn't Mrs Cas-tle's notions are not discussed the's notions are not discussed in polite society. She used the favourite 1960s' phrase, "an integrated transport policy", and meant it. Mrs Thatcher decided some time last year that transport was "a nettle that must be grasped." This means that the central government must make strategic decisions about roads and railways.

sions about roads and railways and, well, er, integrate them. There are important differences. Mrs Castle started with her perception of social need. Mrs Thatcher starts with a realisation that growth will be held back if there is not sufficient infrastructure. Mrs Castle assumed that the planning decisions she fought for in the Labour Cabinet would be financed by the taxpayers. Mrs. Thatcher assumes that the plans she expects her Ministers to make will as far as possible be carried out by private bust. be carried out by private busi-nesses, using their own money (although she has to accept that taxpayers will continue to provide most of the capital). This acceptance of central. accountability for road and rail transport is a major change. As recently as a year-ago transport was low on the list of Thatcherite priorities. Education was to be the triumph of 1988 (perhaps it was) and health the victory of 1989 (we shall see), but few people were shall see).

talking about transport.

The change began when a member of the Downing Street staff prepared a paper on the privatisation of British Rail. This was leaked, with the consequence that public opinion was softened up for the announcement made by the Transport Secretary, Mr. Paul. Channon, at the Conservative party conference last autumn Meanwhile traffic jams and crowded commuter trains were causing Conservative voters to grumble. The Government needed to be seen to be doing

something.
At about the same time the Prime Minister's staff put up a paper showing the likely effect. of the Channel Tunnel on Brit-ish industry. This indicates that if the road and rail networks that head down from the market was there to do the Glasgow, Manchester-Liverpool job. Sometimes the Govern-and the Midlands are left as ment's ideas are almost pure

transport. Mrs get all the business and the Margare trest of the country will become Thatcher is begin. a declining hinterland. Investment in road and rail should be tailored accordingly. Surely, it was argued, ministers and officials ought to stop thinking "transport" and start thinking "infrastructure?" It is my understanding that Mrs. Thatcher and its extension. Thatcher and, by extension, Mr Channon; have bought this. They have a natural ally in the Department of Industry under Lord Young.

Mr. Channon

and Lord Young would doubt-less not accept the way I have put it. Tory ministers prefer to dwell on the extension of private enterprise. National Bus, National Freight, British Air-ways, BAA, have all been pritised; BR's time will come. The Channel Tunnel is privately financed. There will soon be a green paper on the private funding of roads. In recent speeches Mr Channon has insisted that the Government does not believe that the provision of roads, railways, ports and airports is a state monopoly. Mr Michael Portillo, his promising junior at Transport, said on January 25: "We believe in allowing market forces to shape the provision of transport intrastructure and transport infrastructure and

wait a minute Mr Portilo also said something else. "The fact is," he went on, "that the Government is immensely involved in large areas of transport provision, and so whilst we wish to move towards the greater emergence of market forces, we are some long distance from their unfet-tered operation." In truth, this Thatcherite hands-off, freemarket administration runs virtually all Britain's railways, London's subway and buses, and even London's traffic-lights. It still builds all the trunk roads. It may not have a "Grand Plan", to use Mr Por-tillo's phrase, but planning is what it does. Its decisions will even help determine whether London will develop in an eastwards or a westwards direc-tion. US conservatives might be shocked, but French planners would see no mystery in

Some Department of Transport officials are puzzled. From 1979 until 1988 they were told that words like "planning" and "integrated" could not be untered, and especially not in the countered. Now what the same sentence. Now, what-ever the words, the sentiment has returned. The way their political masters put it is that state finance must be provided to build the infrastructure that the market would provide if

POLITICS TODAY

## State planning fights back

By Joe Rogaly



Barbara Castle, as with propos-als to build new railway tun-nels under London. These will probably cost around £100m a mile. No honest husiness plan would justify an unsubsidised private investment. In the end some general taxpayers' money will probably have to be pro-

Even when the Government brings in private capital, as in tha scheme to increase the capacity of the Docklands Light Railway, someone in a Whitehall department has to prepare policies, make drawings, submit proposals to ministers, perhaps let the case go to a Cabinet committee. The frontiers of the state are easier to roll back in rhetoric than in

reality.
All of this has enhanced the role of Mr Channon. The Transport secretary and his opposition shadow, Mr John Prescott, have recently been

brought into the headlines as a Mr Prescott reminded her of result of a series of transport disasters. The awful list is well-known. It includes the this in the House of Commons on Tuesday. "When the Prime Minister said that she intended well-known. It includes the bomb that brought down the Boeing at Lockerble, the subsequent airline crash on the MI motorway, and the rail tragedy at Clapham. Yet even if none of these had taken place, the political spotlight would have been on transport this year.

There is some irony in this. Mr Channon does not usually to put Britain back on its feet," be said, "I did not know that she meant that we would be walking, because that was fas-ter than using public transport in the inner cities." The Labour spokesman has made good use of a portfolio allo-cated to him last year because it was hoped that he might

Mr Channon does not usually score highly in the generally meaningless "who's up, who's vanish into it. He would do better still if he down" gossip that so pre-occuhad the wit to attack the Conservatives from the Right. This is where they are vulnerable, especially when it comes to pies many politicians. He is now being given a chance to show how far he can be be transport policy. For the Gov-ernment's Achilles heel is road stretched. The series of disasters has come at the same time as the emergence of a strong prime ministerial will to pricing. ensure that her transport strategies are pushed ahead. She also has a political need to be

Let me explain. There will be no level playing field between road and rail until both have the same financial structure. Railway users pay separately for each journey. The fare is supposed to cover all BR's costs. Road users pay no tolls. They do pay for a licence to use the road, and they pay a petrol tax. This more than covers the cost. ers the cost of providing roads.

It is not, however, an efficient pricing mechanism.

Tolls would do the trick. Yet there is a buge and understandable reluctance to erect toll booths for all of Britain's major roads. Even if this were to be done, minor roads would still be free at the point of use. We may soon see proposals for tolls for new privately-built roads, as is now the case for privately-financed bridges, but there appears to be no plan around for a general programme to build toll booths.

Technology could come to the rescue. It would be possible

to put meters on private cars. In a famous experiment in Hong Kong these were read by back was that the police would then he able to tell where everyone had been. Meters need not do that. They could be fed by smart credit cards, just like Britain's new tele-phone booths. Drive with a full meter and the scanners will let you pass. Only when the meter is empty would you be billed,

or turned back.
It has been calculated on the back of a 10 Downing Street envelope that if motorway users were charged an average of 10p per mile to feed their in-car meters, the revenue thus collected would about equal wbat is now collected in vehicle licence fees. The political trade-off is obvious: cut or abolish the licence fee in turn for a per-mile user charge. Petrol tax would remain as a revenue collector, or a lever to con-trol the demend for environmentally undesirable gasolines. The 10p could be introduced as 1p, which would cover road npkeep, and increased when new construction programmes were announced it could be varied by place, and time of travel. It would be a proper, flexible,

All this is intellectually attractive in Downing Street, but I doubt if they have the guts to do it. They talk it down at Transport. They might try an inside-London experiment, perhaps with special licence discs to enter the City, but they fear the wrath of motorists too much to go ahead with full per-mile charging. Yet it will happen eventually, either as a result of an environmen-tally-based rejection of jugger-nauts, or as a form of rationing inner-city road usage, or a combination of these. If Mrs Castle were in Mr Prescott's shoes today she would see the opportunity, and seize it.

LOMBARD

## Hot air and bad managers

By John Plender

WATCHING the accountancy profession digging yet another hole for itself is one of the more entertaining spectator sports in the world of business. A big thank you, then, to all those who have contributed so generously to the debate on the valuation of goodwill. And let no one accuse the fourth estate of failing to do its bit. What follows is an unashamed attempt to stir the pot. It would, of course, be inap-

propriate for journalists to attack those businessmen who have chosen to recognise the value of goodwill in their bal-ance sheets. Newspaper man-agement has not been slow to put substantial values on its own titles; and it has to be acknowledged that companies would not spend buge sums promoting brands, buying cus-tomers or acquiring successful service industry operations, if goodwill were so much bot air. The problem is simply that the people who have been busy revaluing intangible assets have done so on a selective basis; the valuations have often been laughably devoid of either logic or theoretical justi-fication; and the euditors, as usual, have obligingly done what they were told. Equally important, the rush to revalue has excluded intangible liabilities - like, for example, the present value of the future cost to the bosiness of ongoing abysmal management.
To those brought np on orthodox accounting this may

sound a mite paradoxical. The textbooks refer to superior of goodwill, but have nothing to say about the negative goodwill arising from poor manage-ment. Yet it clearly exists. If the acquisition merchants like Lord Hanson are to be believed, mucb of the enhanced value extracted from target companies in hostile takeovers comes simply from removing incumbent top management. Ask any manager at just below top level what is most frustrating about the job and the invariable response is that top management consistently fails to implement changes whose need is blind-ingly obvious.

Both positive and negative

goodwill are clearly visible in some recent corporate causes célèbres. There is no doubt at all that goodwill attaches to the Burger King and Green Giant names owned by the US food concern Pillsbury. But the reason that Grand Metropolitan was able to snap up Pillsbury with remarkably little ado in e contested situation was that a great deal of bad will attached to the existing management in the eyes of investors.

Similarly, few would dispute that there is real goodwill in the employment agency businesses of Blue Arrow. But its sbareholders might well feel that former Blue Arrow chief Tony Berry brought plenty of negative goodwill to the trou-

Of course, no incumbent management would ever put e realistic present value on the cost to the company of its own managerial incompetence. And indeed the valuation of positive goodwill is questionable on similar grounds. In his attempt to outline a conceptual framework for accounting stan-dards, Professor David Solomons has argued that in the absence of a purchase and sale transaction any value placed on goodwill is likely to be too subjective for use in the balance speet.

That sounds like common sense. Bnt where would it leave bid candidates like United Biscuits, which believe that the stock market fails to appreciate the value of their brands and which have serious misgivings about the Accounting Standards Committee's view that the balance sheet is not a statement of corporate value? The sbort answer is surely that the food industry (among others) is becoming too obsessed with accounting prin-ciples and too little concerned with basic disclosure. If it revealed the profits from its more important brands, the stock market would cheerfully spare the company the cost of mncb jiggery-pokery from so-called independent valuers

and do the job for free.

The market, admittedly, is not infallible. But it certainly works better when it is well

## LETTERS -

## Tax linked with growth

From Mr John Redwood MP.
Sir, Mr John Hills (Letters, February 7) is clever with numbers and with words, but his arguments are most mis-

He now claims that the UK growth rate between 1948 and 1979 was higher than 1979-88, while taxes were also high. He should know that during the period of highest taxation, 1974-79, there was practically no growth, while the early years of his chosen timespan saw rapid recovery from the Second World War - and 18 years of Conservative governments spending considerably less of the national income than governments since 1964.

incomes eases the poverty and unemployment traps and provides a climate in which small business enterprise can flour-ish. If the tax regime of 1974-79 ish. If the tax regime of 1974-79 was so good for prosperity, why then had the economy performed so badly in the middle 1970s — and why did the government which imposed those taxes prove unpopular?

I am glad Mr Hills acknowledges that his "losses" of income do not mean that necessions.

income do not mean that peo-ple are worse off: they are as hypothetical as his assertion that high taxes are good for growth.
John Redwood,
House of Commons, SWI

#### War against drug traffickers

Sir, It was refreshing to find in your article, "The Challenge of Drugs (January 26), recogni-tion of the importance of fighting against drug trafficking in the areas of its demand as well as in the sources of production. The government of President-Garcia has been trying, since it took office in 1985, to suffocate Peruvian Embassy, this illegal business, in an 52 Sloane Street, SWI

agined the dramatic growth

of that country's tea industry, consisting of small farms; it

has become the largest tea producer in the world. As you

point out ("Bhutto buoys Ken-

yan tea hopes," February 3), its

tremendous success has con-

From the Peruvian unequal war with the wealthy and secretive producers who are now allied with the terrorist your article, "The Challenge of Drugs (January 26), recogni-

This war against vice has to be fought, though, in two fields: production and the consumption — the latter, in my view, being the most effective. Carlos Raffo, Peruvian Embassy, 52 Shares Carnes Carnes.

#### RSI stands for uncertainty

From Mr J.G. Moher. Sir, As the trade union with the largest number of repeti-tive strain injury (RSI) damages claims approaching court hearings, may I comment on your article "The Hidden Strain of Computer Keyboards"

(January 19)?

We experienced a rash of such cases between 1988 and 1985 during intensive keyboard operations at British Telecom units in Cardiff and Swindon, with all the symptoms you describe. Though the financial claims are very modest, these cases have unfortunately become the subject of drawnout litigation because of uncer-tainties in the law of negligence as to who is to blame. British Telecom refuses to compensate our members for their injuries despite, in our opinion, a clear connection between their intensive keying duties and their tenosynovitis diseases. Obviously I do not wish to give further details at

wish to give further decians at this stage.

Rightly, your article also refers to the "uncertainty in the medical profession about the exact cause of repetitive strain injuries." However, there is usually sufficient evi-dence in these cases for the lay manager to accept some con-

nection. However, cases tend to suffer a lack of human (or good management) consider-ation when transferred to the legal arena. Individual cases become, instead, remote paper exercises about different files.

The role of experts deserves

seen to be tackling congestion.

comment. Increasingly, the outcome of litigation depends on obtaining expert opinion most likely to impress a judge. In our cases, each side has to engage ergonomic experts.
Regrettably, these specialists
are few — and seem to take
advantage of their scarcity
value, charging fees of £10,000
to £15,000 for a report involving a week's work. By the time legal, medical and ergonomics experts have litigated their way to a result, the costs incurred are likely to exceed, by far, any compensation recovered for the unfortunate victims. In this way the injured person suffers long delay and, maybe, little or no compensa-tion. The company suffers also, in loss of goodwill from its

There must be a better way.

J.G. Moher,

National Legal Officer,

National Communications Greystoke House, 150 Brunswick Road, W5

#### Aloof from the EMS

From Mr W. Grey.
Sir, So one of the latest of the Prims Minister's rooted objections to the European Monetary System (FT report, January 25) is its "inflexibility" as shown hy "the forced response in other EMS coun-tries to the recent rise in West German interest rates."

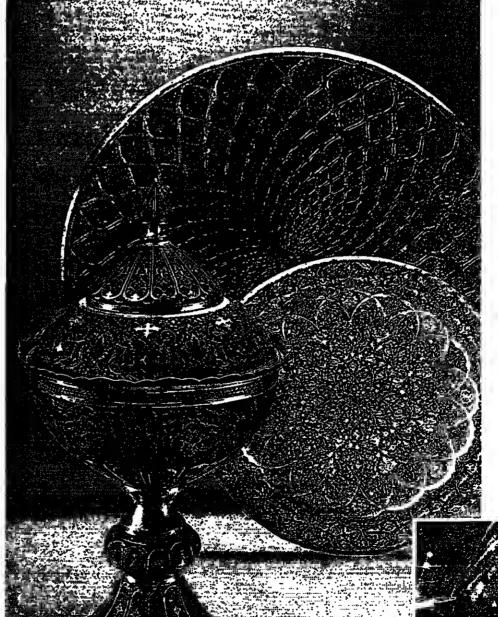
That "response" was not confined to EMS countries; Austria and Switzerland followed suit. And had not the UK stolen a march on its European neighbours on that score which still, to its cost, leaves that "inflexible" field trailing?

In marked contrast, a recent European survey (FT report,

January 19) found a majority of business leaders already favouring the next step of European monetary union. including a single central bank running a single currency. Where will the UK, and in particular the City of London,

W. Grey, 12 Arden Road, Finchley, N3

#### Iran Air ... crafted with patience and care



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A new tradition of care '



The Airting of the SEAMIC REPUBLIC OF TRAN

IRAN AIR extends warmest congratestions to the justice lowing people of the Worl For reservations and further information call your travel agent or Iran Air. Athens: 3607611, Frankfurt: 25600693, Geneva: 310130, Hamburg: 245500, Istanbul: 1411916, Nicosia: 366111, London: 4090971, Madrid: 2669603, Milan: 878793, Paris: 47233347, Rome: 4741141, Vienna: 565601, Zurich: 2117047

tributed handsomely to Ken-ya's prosperity and post-inde-pendence political stability. Inevitably, its success has created problems, one of which - the danger that one day the government would kill tha goose that lays the golden egg. is well documented in your article. Alas, it has happened too often before. The other danger - that one day the

> port and walk away from KTDA – was entirely unfore-I will not dwell on the first, except to express the fervent

principal aid agencies would withhold their financial sup-

Storm warning for Kenya's teacup hope that the Government of Kenya will now demonstrate great statesmanship and encourage solutions to KTDA's From Mr Christopher Walton. Sir, None of us who were responsible for the concept and planning of the Kenya Tea problems which are economically and financially sound as Development Anthority (KTDA) in 1960 could have

well as politic. By a close call, we came down in favour of a public rather than a private sector initative 30 years ago. With the benefit of hindsight, that may have been a mistake, but the opportunity to make the change remains. It has much merit. Certainly its sub-divi-sion into a number of small organisation should be considered. As it exists, KTDA is too big, too difficult to manage and too tempting to an avaricious

The unforeseen event was the decision by the World Bank in the mid-1970s to withhold further financial support to KTDA on the grounds that tea was considered a surplus commodity. The World Bank decision modity. The World Bank deci-sion, in fact, applied to the fin-ancing of all tea development, but with built-in exceptions which, over time, cast doubts

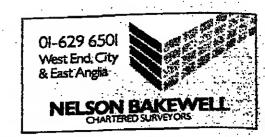
on its rigour. In practice, how-ever, not only did the Bank fail to reward the successful exploitation of Kenya's comparative advantage in this crop, but it implicitly offered protection to inefficient tea production in other countries, notably in

South Asia. The World Bank's ruling has not gone unchallenged. It is to be hoped that it will now change its mind and come to the help of KTDA in its hour of need. Decline would not only represent a calamitous loss to Kenya, but also to its many friends, for whom the authority has stood out as one of the few successful agricultural schemes in Africa.

It is worth noting that the KTDA dates back to 1960, not 1964, when it merely adopted its present name. Credit for its existence rests substantially with our Common wealth Development Corporation. It is to be hoped that, at this time, it will also rise to the occasion. Christopher Walton, Wolfson College.

## **FINANCIAL TIMES**

Friday February 10 1989



## Baker prepares team to take on world

The Secretary of State is choosing his staff with caution, reports Lionel Barber

and cowboy hoots. Mr James Baker sat propped up against a persimmon tree in South Texas reading his classified State Department hriefing book. The new US Secretary of State, we are informed in a colour spread in this week's edition of Time magazine can both "stalk tur-key and talk turkey".

Career diplomats at the State Department have fast discovered that life with James Addison Baker III is going to be a great deal different from the low-key, even cosy, relation-ship they enjoyed with Mr

Mr Baker, a former White House chief of staff and Treasury Secretary in the Reagan Administration, seems wary of his new colleagues: "This is one department, I'm told, that tends to capture you if you're not careful I hope to be very careful. I want to be the President's man at the State Departmeot instead of tha State Department's man at the

His first appointments betray this caution towards the hureaucracy. Mr Baker has surrounded himself with old Treasury loyalists such as Ms Margaret Tutwiler, Mr Robert Zoellick and Mr Robert Kimmitt, a former National Secu-rity council aide installed in the number three position as Undersecretary for Political Affairs, a slot traditionally reserved for the Foreign Ser-

The one obvious exception is his choice of deputy: Mr Lawr-ence Eagleburger, the chain-smoking former aide to Dr Henry Kissinger who is over-

By Richard Waters in London

ASSETS worth millions of pounds and held in trust in the

UK have been flowing out of the country this week in an effort to avoid capital gains

The outflow has heen prompted by a widespread fear that the British Government is

about to remove the tax advan-

tages of setting up an offshore

enue estimate of the valus of assets in trust in the UK was

about £7bn (\$12.2bn) in 1986. It

is not known how much of this

has now moved offshore, or the

value of assets already held

outside the country.
The fear surfaced at the start

of this week when there were suggestions that the Govern-

ment would impose an exit

charge on assets put into over-seas trusts after today.

The most recent Inland Rev-



James Baker: Displayed preference for political deal making with Congress rather than talent spotting in the Foreign Service

Trust assets flood out of Britain

weight, suffers from emphysema and declares be relishes the chance to resume a muchacclaimed 27-year career at the

State Department. Elsewhere, Mr Baker has displayed a preference for politi-cal deal-making with Congress rather than talent-spotting in the Foreign Service. Mr Richard McCormack, a former aide to Senator Jesse Helms of North Carolina, is to be Under-Secretary for economic affairs

– a pure sop to the right wing
(although Mr Helms's own staff are divided on Mr McCor-mack's merits and his conservative credentials).

Mr Bernard Aronson, the choice to succeed Mr Elliott Abrams in the Latin America post, is a Democrat who supports the Nicaraguan Contra rehels. The job of Mr Aronson, who does not speak Spanish and is unfamiliar with Latin America, is to forge a hiparti-san policy on Central America. But in practice his background may alienate both conservative

Some tax advisers suggested

the Government would act immediately the rumour

emerged, rather than wait until the end of the week when assets had already been safely

proved unfounded.
"The gap between Tuesday and Friday has given us the

time to export any trusts that

expert at one larga accoun-

The firm's London office alone has set np about 50 off-shore trusts this week.

If this has been matched by

other firms, it suggests that hundreds of tax-avoidance

schemes have heen rushed

through to beat the rumoured ending of tax privileges.

account for assets running into

many thousands of pounds.

Each trust is likely to

tancy firm.

Republicans and liberal Demo-

Mr Charles William Maynes, editor of Foreign Policy maga-zine, believes Mr Baker has

missed opportunities in choosing staff in the posts of economic and political affairs.

"He starts out in the ball game with two hig strikes against him," said Mr Maynes.

"These people do not automatically enjoy respect on Cavital cally enjoy respect on Capitol Hill and they may lack support from the permanent hurean-

Mr Maynes is one of several critics who believe that over at the White House Mr Brent Scowcroft, President Bush's national security adviser, has so far picked a more high-powered foreign policy staff.

Mr Scowcroft, who has spent most of his adult life studying East-West relations, served a term as President Ford's national security adviser. Like Mr Eagleburger, with whom he occasionally sparred, Mr Scow-croft also worked as an aide to

Establishing an offshore trust

is expensive and there is a fur-ther annual running cost of

arrangements are worthwhile

only for those planning to

escape large amounts of capital

Under present rules, tax does not fall due on a UK trust

the assets have been held by

the trust for at least six

Once offshore, the benefi-ciary of the trust enjoys con-

siderable tax privileges. No tax falls due when the assets are sold; it is payable only on gains

paid into the UK. This means the tax can be delayed or avoided altogether by keeping

the proceeds out of the coun-

This means that offshore

about £5,000.

Dr K's network extends further through the foreign policy apparatus to Mr Peter Rodman, who served President Reagan and shares Mr Eaglehurger's and Mr Scowcroft's skill at speaking Serbo-Croat. But the analogy need not go too far: "It is the Kissinger flavour, without the flamboyance," says Mr Misheel Mysecometry and arms con-Michael Krepon, an arms con-trol expert at the Washington-

ed Carnegie Institute. Elsewhere, Mr Scowcroft has drawn on the highly-respected Kennedy School of Govern-ment in Harvard. Mr Robert Blackwill, a former ambassa-dor to the Vienna telle on somdor to the Vienna talks on con-ventional arms, will take over as senior NSC director for European and Soviet affairs, a kay intermediary in dealing with the Western Allies on the future course of arms control. Mr Richard Haass, a former State Department official, will be senior NSC director for the Near East and South Asia.

Near East and South Asia.

Mr Baker has yet to make clear who he has in mind for the paralls! policy-making posts in the State Department. Mr Richard Murphy, the career diplomat in charge of Middle East policy, has just retired, leaving a vacancy. Mr Winston Lord, another former Kissinger and contently US amhasaide and currently US ambas-sador for China, is in the running for the top Far East poli-cy-making post, hut so are others such as Mr Richard Armitage, currently at the Pen-tagon. Ms Rozanne Ridgway, head of the Europe desk, is cer-

tain to be replaced. Mr Graham Allison, dean of the Kennedy School and a Soviet expert, said Mr Baker's close personal relationship

about the prospects for over-

seas trusts since the summer when Mr Norman Lamont, Financial Secretary to the

Treasury, announced a govern-ment review of how trusts were taxed. He said in particu-

lar that the use of non-resident trusts to avoid tax would be

The Inland Revenue said yes-terday it did not know of any

plans to change the rules on

offshore trusts, and dismissed the rumour as "Budget specu-

Imposing an exit charge on

trusts would mirror the Gov-ernment's move in last year's

Budget to impose a similar

charge on companies which emigrate from the UK, further

prompting expectations that a

change in tax rules is in the

secure as Secretary of State. Indeed, he praises Mr Baker's agreement - in contrast to Mr Shultz - to sit as a member of a White House foreign policy committee chaired by the National Security adviser. The accent will be less on

competition, more on co-operation," says Mr Allison.

If this proves to be the case,
it will mark a decisive break
with the past. National security advisers, starting with Dr Kissinger, have constantly feuded with the secretaries of state, to the detriment of US foreign policy. Under President Reagan, the clashes became intolerable, on subjects ranging from arms control to covert operations, and ended in the

Iran-Contra scandal. The new Bush Administration ought to be able to avoid this because it shares common this because it shares common views, starting with a scepticism of the Reagan Administration's late rush to embrace the Soviet Union. Several officials believe Mr Reagan put too much faith in his personal relationship with Mr Gorbachev, at the expense of a solver analysis. the expense of a sober analysis and exploitation of change within the Communist system. Hence the current long-term review of US-Soviet relations. Tha one criticism that some

level at the new foreign policy team is that it has yet to pull in men and women with reputations for heing iconoclasts, the kind of people to deal with a dynamic Mr Gorbachev and offer a "vision" of the world. Mr Allison says this is misleading: "All these people are careful and thoughtful. It is wrong to confuse experience with a lack of imagination."

#### **Decision** on Tower unlikely for

two weeks By Peter Riddell and

Lionel Barber in

Washington

THE FATE of Mr John Tower's nomination as US Defence Secretary is unlikely to be resolved for two weeks, amid among Republicans as well as increasing criticism among

Democrats. The Federal Bureau of Investigation is examining claims of financial impropriety associated with the Pentagon pro-curement scandal.

The earliest the Senate Armed Forces Committee can vote on the nominations is February 21. The Senate is in

The delay opens the possibil-ity of more damaging allega-tions as well as further paralysis in the Pentagon's senior decision-making, at a crucial time in the review of defence

poults are being expressed on the Republican side about the competence of White House staff in handling the matter – in particular Mr John Sunum the Chief of John Sununu, the Chief of Staff, and Mr Boyden Gray,

Staff, and Mr Boyden Gray, the chief counsel.

Senior officials and Congressmen are already being privately quoted in Washington as urging the withdrawal of the nomination, despite President Bush's continued are the contract.

President Bush's continued public support.

Democrat leaders in Congress are criticising the White House for withholding information and are insisting on the full written evidence being made available to the committee.

An increasing number of Democrat Senators is now pub-licly expressing doubts about Mr Tower's fitness for the

The Towsr affair, coupled with earlier slip-nps in the three-week life of the Bush Administration, has led to growing public worries hy ading conservative comme

They have accused the President of weakness and misjudgment over his appointments and a lack of direction in the

Mr Allan McArtor will step down as head of the Federal Aviation Administration (FAA) after he returns from a meeting on international ter-rorism in Montreal next week. an FAA spokesman told AP-Dow Jones in Washington.

Transportation Secretary Samuel Skinner, who will lead a US delegation to the special session of the Council of the International Civil Aviation Organisation next week, had announced on Tuesday that Mr McArtor would be replaced.

The new Secretary of Transportation said he had "one or two" good candidates for the FAA post but would not say

#### THE LEX COLUMN

## A warning shot for Mr Lawson

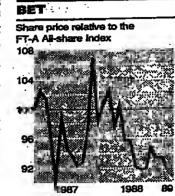
The objectives of a cantious central bank and an ambittous Chancellor with half an eye on the post of Foreign Secretary are so dissimilar that the warn-ings issued by the Bank yesterday should not to be taken too seriously hy the market. The thinly disguised message to Mr Lawson in the Bank's latest Quarterly Bulletin is to keep up the pressure on interest rates for at least another 3 to 6 months, or until it becomes certain that demand really is showing. The Bank sensibly argues for an unchanged fiscal stance, and for letting the automatic stabilisers do their bit in restraining a still rapid rate of

growth.
On neither count is the Bank likely to get much of a hearing at the other end of town — which is a pity. Indeed, had the Chancellor adopted a more cantious line this tima last year, the present inflationary peril might be considerably less severe. The Bank, as usual, declines to share the Chancellor's rosy view of the economy, is less confident about any downward trend in inflation, and is evidently expecting no improvement in the trade deficit this year. Even though the difference between a forecast deficit of Eilbn and £14bn may be negli-gible for a series that is so dreadfully difficult to predict, the Chancellor surely needs to point to an improvement in the deficit this year to justify any

tax cuts. Meanwhile, the Bank's reminder of the unusually poor quality of the economic statis-tics is also salutary, as is its warning not to get too carried away by signs of lower expen-diture. Still, Mr Lawson has plenty of other excuses ready to hand for the Budget-time cut in interest rates that the market expects — like yester-day's further reduction in M0 growth to just 6.8 per cent, for instance.

Car sales

As the Bank of England could attest, there are still plenty of consumers out there treating interest rates as a side issue — indeed, enough to boost new car sales in the UK by an extraordinary 13 per cent last mouth. In itself, that probably proves little about the effect of interest rates on demand: with Fiat offering incentives like zero per cent finance on the Uno, the level of base rates is somewhat aca-



companies anyway, rather than the individual consumer who is the Chancellor's main

Arguably, all the figures prove is that if the industry is willing to sacrifice margins to sell cars, the buyers are not about to stay away. But even if demand in February proves as freakishly high as this month's temperatures, nobody is pre-dicting that 1989 as a whole is going to hreak any more records. New car registrations are still set to fall hy 8 per cent or so this year — and that before one has any idea of whether tax breaks on com-pany cars will survive the Bud-

Europe-wide, registrations will probably fall by only S or 4 per cent. And though the European Commission is no doubt correct that such a drop means more to a European carmaker than it would to the tougher Japanese, it comes at a time when European profitability is at unprecedented levels. The Commission thinks the level of demand masks serious weaknesses in the industry; but at this rate, it will be some time before one finds out for sure.

If the debate over balance sheet values does nothing else, it is certainly bringing out the resourceful streak in Britain's finance directors. Some have conjured up new assets in the form of brands, others have made debt vanish off the bal-ance sheet entirely. BET has come np with yet another wrinkle: borrow \$500m in 28day commercial paper, and call it shareholders' funds.

It is possible to sympathise not only with BET's predicament, but with the cheek of its solution. In the course of buydemic. And at this time of ing some 200 service compa-year, most of the buyers are nies, BET has written off pur-

result is balance sheet gearing of over 40 per cent, ludicrously at odds with interest cover of 11 times. As the company points out, if the market were to settle for interest cover as the measure of all things, hrand valuations and off-balance sheet shenanigans would become pointless. But if the market will focus on gearing, let it have debt which legally counts as preferred equity, and let each \$100,000 horrowed have a nominal share value of \$1,000, thus creating \$99,000 of reserves against which future goodwill can be written off.
The curious question is why companies should bother. BET is not itself dumb enough to regard the new stock as a continuous part the new stock as a continuous to the new sto regard the new stock as equity; in its internal calculations of interest cover, it will count the dividends as interest. And if the whole structure is intended to keep the market happy, it may be asked which investor will accept as equity an instru-ment which is rolled over every 28 days at rates deter-mined by the US commercial

paper market.
Yet again, the whole issue is one for the accounting profession. The lawyer will correctly assert that preference capital of this kind is equity under the meaning of the Act. it is for the anditor to reply that such reliance on form rather than substance is inconsistent with a true and fair view. The way things are going, if UK companies end up subject to a US-style SEC, they will have their own ingenuity to blame.

Ericsson

The 66 per cent increase in Ericsson's profits shows that its decision last year to get out of data processing was almost as wise as its initial decision to get in was foolish. Simply by patting a stop to those losses its profits are bound to rise again strongly this year, helped by the strength in its telecommunications business. telecommunications business.
Still, the 250 per cent increase
in the shares over the last year
is going it a bit, and even yesterday's big rise in the dividend may be not enough to
keep the rally going.
In the longer term Ericsson

may face a problem if it is to keep its fiercely independent streak. In terms of turnover it is in the same league as the likes of Northern Telecom, but in terms of capital is some \$500m weaker — a pretty serious disadvantage in an industry obsessed with ever larger

. . .

## force in Central America

Outflow prompted by fear of tax changes

By Tim Coone in Managua

CENTRAL American foreign ministers have agreed to sup-port the establishment of a UN observer force in each of the five Central American coun-

The force would consist of troops from West Germany, Canada, Spain and several as yet unspecified Latin American

The formal proposal was presented to Mr Javier Pérez de Cuéllar, the UN Secretary-General, on Wednesday evening in New York, hy the foreign ministers of Costa Rica, Nicaragua, Honduras, El Salva-dor and Guatemala who are meeting this week to prepare the ground for next week's presidential summit in El Sal-

Mr de Cuéllar has to present the proposal to the UN Security Council for approval. This vote will be crucial because the US, which has organised, financed and supplied the Nic-araguan Contra rebels, might decide to exercise its right to veto the proposal.

Foreign diplomats helieve that failure this time by the

five presidents to arrive at any substantial agreement in San Salvador either on control of cross-border insurgencies or on policies concerning human rights and civil liberties in each of their countries, could spell the end of the Esquipulas II peace process set in Their peace process set in motion

in August 1987.

Agreement at foreign minis-ter level on establishing a UN observer force is thus a signifi-cant step forward because several countries have until now been reluctant to accept such a proposal Honduras in particular, the base for an estimated 10,000 Contras who have waged war against Nicaragua since 1981, has in the past been par-ticularly reluctant to open its southern border region to foreign observers.

The proposal would establish a mobile observer force in the capital of each of the five countries. Each force would be given total freedom of movement and the antbority to inspect and report on any cross-horder violations by regu-

#### try. Tax experts have been jittery Ministers back UN peace Indian microchip industry hit by factory blaze

INDIAN ambitions to develop a capability in microelectronics suffered a sethack yesterday after fire destroyed the country's only semiconductor plant making large-scale integrated circuits (iCs).

It was still unclear last night whether the fire at the stateowned Semiconductor Complex Ltd (SCL) at Chandigarh, the capital of the Punjab, was the result of sabotage or an acci-dent. But it appeared to have wiped ont SCL's Rslbn (\$71m)

investment in IC design, fabrication and testing equipment.
Officials reckoned that it could have put back microelectronics development in the country - which is already lagging wall behind that of East Asia – by more than a

year.
The SCL plant specialises in custom-designed ASIC (application-specific integrated circuit) chips for the defence and telecommunications industries. But its main objective was to develop an Indian capability in micro-circuitry as being the driving force behind future industrial change.

become a source of dispute because its output of customised chips was negligible heside the heavy foreign exchange investment it had

To generate more revenue SCL was expanding its produc-tion of high volume standard chips for watches. It announced sales over the last

financial year of Rs123m. This controversy seems likely to delay immediate replacement of the wafer fabrication equipment pending a review of SCL's overall perfor-

mance and strategy.
One of the country's most senior advisers on develop-ment said yesterday that SCL needed better management and more foreign-trained engineers. The state-owned Indian Tele-phons Industries, the country's main manufacturer of telecommunications equipment, had recently sought permission to establish its own IC plant to develop 1.5 micron chips. SCL had recently bought equipment

to manufacture chips of 1.25 micron design.

## In America, conspicuous consumption is out.

Modesty, restraint and family virtues are in.

So says Playboy and it should know.

For if America's bestselling men's magazine has got its trends wrong, it could go bust in an entirely new way.

For a full-frontal exposé of the Modest American, get your copy of The Economist today.

WORLD WEATHER

### **UK** leveraged finance

Continued from Page 1

unlike ICG it will not originate

The challenge facing ICG is to expand the mezzanine mar-ket, which is the smallest component of leveraged finance. According to some practitioners, mezzanine accounts for only five to 10 per cent of total financing. 'I wonder how busy they're going to be?" asks one

competitor. However, ICG executives say that the growing supply of mezzanine money will itself stimulate the market and promote the growth of leveraged

Although the launch of ICG could be seen as a further step towards the evolution of a USstyle market in Europe, its founders say this is unlikely. They do not intend to stage hostile bids. Also, they have no plans to promote a junk bond market by securitising their

financings. Mr Jean-Loup de Gersigny, one of the founding executive directors, said: "I expect to see Europe evolve in its own way."

## Texas settles a



Texan beef produc-ers believe they will be able to export their meet to the European Community despite its ben on hormone-treated Imports, which has sparked a bitter trade dispute with the US. EC officials have been working with the Texas

Department of Agriculture on a system for certifying meat as hormone-free, and the US Department of Agriculture is now co-operating with the plan. Page 32

#### Renison plays down dangers of Gold Fields bid fallout

Renison Goldfields Consolidated, the 48 per cent-owned Australian arm of Consolidated Gold Fields of the UK, has announced a 68 per cent jump in Interim profits to a record A\$35.3m (US\$31.5m) after tax. Renison also set out to allay fears that fallout from the Minorco-Gold Fields bid battle would adversely affect its businesses. Page 24

#### Boaring fruit in the EC



duce exports to the. European Comminity have got off to a shaky start, after a protracted political battle between Brussels and Tel Aviv. Despite alleged ... spolling tactics by the Israelis, however, West Bank farmers say they are

pean customers' initial response and are opti-mistic about prospects for the future. Page 32

#### European turnover still in the grip of New Year celebrations

The new year inspired a burst of activity in Europe's equity markets. The most vigorous were The Netherlands and West Germany, where volume of shares traded in January rose by about 60 per cent over their aiready lively December totals, giving them their high-est turnovers for more than a year. Page 44

#### Picture of profitability Warner Communica



tions, which lest month acquired Lori-mar Telepictures for \$1.35s, achieved strong fourth quarter. profits, pushing net income for the full

\$328.1m to \$423.2m. Revenues from film, music and cable broadcasting divisions all posted record highs, although the group's publishing division saw earnings fall. Page 20

#### Market Statistics

FT-A world indices FT int bood service

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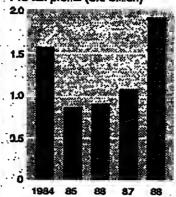
## Ericsson boosts profits by 66% AT&T and Stet to

ERICSSON, the major Swedish telecommunications equipment group, boosted its profits before appropriations and taxes by 86 per cent last year from SKrl.08bn (\$17bn) to SKrl.84bn, and plans to raise its 1988 dividend by SKri 50 to SKri 9 50 per share. The performance shows that the company is enjoying an impressive recovery after a period of structural difficulty in the middle of the 1980s, mainly caused by its loss-making foray into the computer systems busi-

restarday, Mr Bjorn Svedberg, 2.5 chief executive, was in a confident mood as he presented the company's preliminary figures for 1968 in Stockholm's technical museum, surrounded by antique phones and switching gear from the founding period of the com-pany at the end of the last cen-

Net profit per share amounted to SKr27 last year - equal to SKr24 after the full conversion of debentures outstanding in 1988 against SKr17.9 in 1987. The board intends to seek approval for the dividend increase at the annual general meeting on May

Ericsson Pre-tax profits (Skr billion)



Orders rose by 7 per cent last year from SKr33.405hn to SKr35.6hm, although net sales fell by 3 per cent from SKr32.4hm to SKr31.3hm.

The results vindicate the company's strategy of concentrating on its core telecommunications and mobile telephone husiness, where it has always been at its best, and divesting other activi-ties.

Ericsson is convinced that its earnings and profitability will go on rising through this year and 1990 - an optimism shared by independent analysts.

Mr Svedberg reported that all business areas of the company, except defence systems, achieved a better performance last year compared with 1987.

"In a highly competitive indus-try that is subject to continuous, major changes, we have suc-ceeded in further strengthening our position," he declared. Ericsson has won substantial orders in recent months, particu-larly for its AKE switching system, but also for mobile tele-

phones and the MD 110 private branch exchanges. The company's global offensive is making serious inroads into Australia, the Middle East and Mexico, with increasing potential in Latin America. Ericsson has also become one of the leading telecommunications companies in the developing world, notably China with a promising huge

market At the same time, Ericsson has strengthened its position in west-ern Europe, notably with its acquisition of Intelsa, the Spanish telecommunication equip-ment supplier, and another deal which gave the company, in alli-ance with Matra of France, a 16 per cent share of the French market for digital telephone

Yesterdey the company announced it had acquired most of the telecommunications operations of Elektriska Burean (EB), one of Norway's buggest industrial companies, 60 per cent-owned by Asea Brown Boveri, the Swedish-Swiss conglomerate. Ericsson agreed to sell its highway and railway signalling husiness to EB in return.

Ericsson will purchase EB's operations for the development and production of digital telephone exchange equipment as well as its activities in communications control systems. It is also to have a 50 per cent stake in EB's defence communications business. In total, Ericsson will acquire EB sectors with a total annual sales figure last year of

NKr700m (\$104m). This latest deal is yet a further stage in Ericsson's grand concentration strategy. It is subject to the approval of both the Norwegian and Swedish Governments.

## discuss share link

By Alan Friedman in Milan

AMERICAN TELEPHONE & Telegraph (AT&T) is to begin technical and financial negotiations aimed at forging an international partnership, including shareholding links, with Italy's Stet-Italtel, the state-owned tele-

communications group.

The US-Italian talks, which are expected to last two or three months, were given the go-ahead in Rome last night by the fivemember executive committee of IRI, the giant state holding concern which controls Stet and Ital-

This formal epproval from IRI was the final hurdle to be cleared and came 48 hours after Stet's board recommended choosing AT&T after deliberating among four competing offers.

The other contenders for Ital-tel's hand – and for a piece of the L37,000bn (\$27bn) of equipment and service contracts planned over the next five years as Italy modernises its telephone system – were Siemens of West Germany, Alcatel of France and Ericsson of Sweden. Professor Romano Prodi, chairman of IRI, said last night that he was satisfied at the decision to go ahead, which he stressed was

For once, therefore, a major decision hy the state industry group was agreed without any conflict between Socialist and Christian Democrat members of the IRI executive committee.

It has been learnt, meanwhile, that the technical talks will include financial valuations which are likely to lead to share-holding ties.

It is understood Stet may acquire an equity stake in Net-work Systems International (NSI), the Netherlands-based telecom manufacturing venture formed in 1984 by AT&T and

Philips of the Netherlands.

AT&T, in turn, is expected to negotiate the purchase of a shareholding in Italtel, the operative telecoms equipment subsidiary of

## Pearson boosts Elsevier holding in £78m deal

By Raymond Snoddy in London

PEARSON, the publishing, banking and oil services group, yesterday strengthened its growing relationship with Elsevier, the Dutch publisher, by buying a further 7.05 per cent held by Mr Robert Maxwell in a deal worth

£78.3m (\$136.2m). Pearson issued 11m new shares for Mr. Maxwell's Bishopsgate investment Trust which held the Elsevier bearer depository receipts and the shares were immediately placed by Lazard Brothers and Baring Brothers at 715p a share. Pearson closed 29p down at

7140 yesterday.

7140 yesterday.

Mr. Marwell, who for a time last year pursued Elsevier enthusiastically and expressed interest in all things Dutch, offered the shares to Pearson. Agreement was reached between Lord Blakenham, the Pearson chairman and chief executive and Mr Maxwell after one hour of talks on Wednesday. The price was fixed by Klaevier's closing price on the Dutch stock archanger. Dutch stock exchange that after-

Mr Maxwell has already disposed of assets worth \$1hn in recent months and said last week he intended to dispose of another \$1bn worth of companies to. reduce his borrowings following the acquisition of Macmillan, the US publishing company.

Apart from consolidating Pearson's links with Elsevier, yester-day's purchase further dilutes Mr Rupert Murdoch's stake in Pearson to 17.4 per cent and appears to strengthen further the company's defences against any pos-

pany's desences against any pos-sible predator.

In September, Pearson, whose publishing interests include the Financial Times, announced an exchange of shares with the Dutch publisher which was described by both parties as an engagement leading to a marengagement leading to a mar-

riage. Yesterday's deal means that Pearson now has a 22.48 per cent interest in Elsevier which in the six months to June 1988 had net income of Fi101m (\$47.8m) on net

sales of FP787m. Pearson and Elsevier have been exploring joint venture pos-sibilities in both Europe and the US although no definite projects have yet been amounted.

The first significant project however is likely to be a joint venture in financial newspaper publishing in The Netherlands. This will take the form of either acquiring an existing financial

newspaper or starting a new one. Apart from being strong in sci-entific journals, Elsevier publishes the influential Dutch newspaper NRC Handelshlad. Lord Blakenham said yester-day: "I am delighted that we are

now acquiring a further signifi-cant stake in Elsevier which is being made with their knowledge and support." The exploration of future links

between the two companies recently included three days of meetings in the US between Lord Blakenham, Mr Pierre Vinken, chairman of Elsevier, and top

#### NMB and **Postbank** set to merge

By Laura Raun in Amsterdam

NMB BANK, The Netherlands' fourth-largest bank, and Postbank, the Dutch state-owned bank, are expected shortly to announce plans to merge and partially privatise the Govern-ment's stake.

A combined NMB/Postbank would rank as the fourth-biggest bank in the Netherlands with assets of Fl 185.3bn (\$64bn), based on 1987 figures. Combined earnings would amount to F1 470m.

Bankers in Amsterdam believe that NMB will buy Postbank from the Government by exchanging its own shares for those of Postbank, perhaps one for three or four. That would leave the state with slightly less than half of a combined NMB/ Postbank.
Part of that holding, perhaps
mathird, would then be priva-

tised. Efforts are still underway to determine a market value but a flotation this year seems likely, depending on market con-NMB is expected to handle the issue Itself or with a foreign

company because other Dutch banks would get too close a look at the new competitors' Investors reacted positively yesterday, bidding up NMB's share price to Fl 212.50 from a previous close of F1 204.50.

#### BET plans \$500m US preference issue By Nikki Talt in London

BET, the UK-hased support services group, plans to issue up to \$500m of new variable divi-dend preference shares in the US. A market in such securities exists only in the US, where outstanding issues now exceed \$200n. BET says it is the first non-US company to tap this mar-

BET's dollar-denominated, cumulative redeemable preference shares will trade at their issue price, and carry variable dividend rates which are paid and reset every 28 days through an auction process.

The aim of the issue is to

reduce BET's gearing and facili-tate acquisitions. Many UK com-panies have found that the switch to cash-funded, rather than paper-funded acquisitions in the wake of the 1987 crash creates a problem when it comes to the treatment of goodwill - the for a company and the value of its assets.
It is no longer possible to cre-

ate a share premium account against which goodwill can he written off. As a result, acquisi-tive companies face the prospect of shareholders' funds heing eroded.

Some companies have decided to include a "brand" valuation in their balance sheets. BET said it had decided against this option while the accountancy profession was so undecided about its mer-

Instead, via the current route, BET maintains that its equity will be boosted and its gearing reduced. The new shares will have a nominal value of \$1,000 bnt probably be issued at \$100,000, enlarging shareholders' funds by \$99,000 for each share issued.

However, yesterday some analysts were more sceptical about the benefits, "Having spoken to a few institutions," said one. "I think they may view the preference shares as debt rather than equity."

BET currently has net debt of over £200m, against shareholders' funds of about £530m. However, over the past five years, it has written off about £750m of goodwill and says that goodwill accounts, on average, for about 80 per cent of acquisition considerations. Since it started to six years ago, BET has bought around 200 companies and made about 60 disposals.

BET intends to issue only \$150m of the new shares before its financial year ends on April 1. Further issues will be made in 1989-90, "when market conditions and acquisition timings war-

BET will also ask shareholders for permission to buy in up to 5 per cent of its ordinary shares. Some of the US issue proceeds may be used for this purpose.

## **Maxwell buys Thomas Cook in** US and aids former UK unit

By Andrew Hill in London

MR ROBERT MAXWELL, the British publisher, yesterday dem-onstrated he still had a soft spot for engineering, negotiating a complex \$40m (\$69.2m) deal to restore the health of Hollis Indus-

Hollis was a Maxwell subsidiary and the vehicle for the publisher's UK engineering ambitions until it was sold to its

management last July.

Separately, Mr. Maxwell amnounced that he had taken up his option to buy Thomas Cook. Travel, the fourth largest travel agent in the US, from Dun and Dundersteet for an undisclosed. Bradstreet for an undisclosed

Mr Maxwell heralded the acquisition last October, when he bought most of the US publish-er's Official Airline Guides division for \$750m.

Both purchases have been made through Pergamon Group, a privately-owned subsidiary of e Liechtenstein-based Maxwell Foundation.

The private company will use the Thomas Cook name as part of a worldwide network of travel services, in agreement with Mid-land Bank, which still owns the UK Thomas Cook Group and sold Thomas Cook Travel to Dun and

Bradstreet in 1985.
In Britain, Pergamon Group stepped in with a cash injection of £13.8m for Hollis.
It is also contributing a further £8m of capital, and subscribing £4m of non-cumulative unsecured

In addition, Pergamon Group has bought the sensitive Stothert & Pitt crane-manufacturing site in Bath for £16.4m, and revised the buy-out terms. The move was negotiated with Hollis and Bankers Trust International, which funded the original buy-out with a 500m loan, and should elimi-nate most of the debt incurred in last year's £105m deal. Pergamon Group's support of Hollis safeguards Pergamon

AGB's investment in the private engineering company, and limits the research and services group's liability to fam.

Pergamon Group owns 57 per cent of Pergamon AGB, a Lon-don-listed company which was formed from the professional ser-vices operations left over after the sale of Mr Maxwell's engi-



Robert Maxwell: a soft spot for engineering companies

tember's £134m merger with AGB Research, the market research

As a side effect, the deal rules out the possibility of Pergamon AGB gaining accidental control of Hollis, which has been hit by rising interest rates and deteriorating trading conditions since the

Pergamon AGB already has the option to convert part of its holding in Hollis into 42 per cent of the engineering services company's equity.
Under the terms of the original deal, Pergamon AGB had to sub-

scribe for extra subordinated

loan notes if Hollis sold any of its businesses for less than £25m within three years of the buy-out. The unexpected closure of Stothert & Pitt, announced last month, would have meant Pergamon AGB paying Hollis about £20m, and perhaps gaining an option over more than 50 per cent of the Bath-based company. Under the new deal Pergamon

Mr Maxwell's purchase of the 17-acre Stothert & Pitt size near the centre of Bath seems unlikely to reassure the local planning authorities, who fear that the clo-sure of the plant with the loss of at least 350 jobs could mean the end of heavy industry in the city. Pergamon Group said the site had been valued at £15.95m on "within existing uses." Redevelopment of the site for retail or office purposes would run into opposition from Bath City Council

Hollis is attempting to find buyers for separate parts of

Yesterday's Pergamon Group statement said Multipbase Systems, a company formed last September to develop and make pump systems designed by Stoth-ert for offshore oil and gas plat-forms would be retained forms, would be retained

Hollis said negotiations were continuing with prospective pur-chasers of other parts of the busi-

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#### INTERNATIONAL COMPANIES AND FINANCE

## Sears gains despite retail pressure

By James Buchan in New York

SEARS ROEBUCK, the world's largest retailer which is attempting to resbape its immense department store and mail order businesses, vesterday reported an 11 per cent gain in its net income before special charges in the fourth quarter, despite continued pressure on profits in retailing

The gain, which took uet income before special charges from \$554.4m or \$1.46 a share in the 1997 fourth quarter to 8618m or \$1.65 a share. was entirely due to a turnround at Sears financial services and real estate operations. Sears core merchandise group and its Alistate insurance operations both reduced their profit con-

Sterling

adds to

By James Buchan

December.

Kodak rise

EASTMAN KODAK, the world's largest maker of photographic products, reported a

striking gain in sales and earn-

ings in the three months to

Much of the increase came from its new Sterling Drug pharmaceuticals business but

sales and profits from tradi-tional film and chemicals also advanced strongly, both at

The Rochester, New York, company, which speut \$5.1bu on Sterling Drug a year ago in a bold effort to build a new business line, said its earnings

in the December quarter rose

by 29 per cent to \$312m or 96 ceuts a share ou a equivalent rise in sales to \$4.54bn.

The fourth-quarter performance topped out a year in which Kodak enjoyed a 19 per

ceut gain in net income to

\$1.40bu or \$4.31 a share on a 28

per ceut rise in sales to

Mr Colby Chandler, chair-man, said he expected a good

performance from all divisions

in the current year. "We look to 1989 as another year of vig-

orous growth in sales and earn-ings," he said.

The bulk of the gains came

from the inclusion of Sterling

Drug, which is contributing

sales of about \$2.5bn a year,

primarily 35mm colour film,

and price gains in chemicals.

tributions. Sales rose 9 per cent to \$14.56bn.

The improved fourth quarter still left Sears with net income for the year, before uon-recurring items, of \$1.59bn or \$4.19 a sbare, down from a restated \$1.63bn or \$4.30.

Revenues increased by 9.5 per cent to \$50.25bn. But the poor performance of the merchandise group in the quarter shows the scale of the problem facing Sears management as it struggles to reorient the \$30bn business in the face of intense competition from discount and specialty retail-

Fourtb-quarter operating income from merchandise fell

from \$414.9m to \$328.5m because of competitive pressures on profits, especially in

All these figures exclude a \$442m charge announced in late October as part of a restructuring of the merchan-

dise group, as well as accounting changes.

The Alistate insurance group, traditionally the jewel of Sears operatious, also reported a decline in profits, from \$217.2m to \$296.3m, largely because of a loss on the sale of the company's group life-health business.

The improvements came at Dean Witter financial services, which converted a loss of

Warner records strong growth

\$33.8m to a profit of \$26.3m, thanks to a better performance at the Dean Witter securities firm and a fourth consecutive quarter of profit from Discover,

Sears' new credit card. The Coldwell Banker real estate operation also moved into profit, with sales of build-ings making np for losses on the group's heavy expansion.

Mr Edward Brennan, chair-man, said: "We expect healthy gains in disposable income due to rising employment and the absence of tax increases. This should allow consumers to increase their spending on gen-eral merchandise and step un their investments in financial

By Karen Zagor in New York

WARNER Communications, which last month acquired Lorimar Telepictures for \$1.2bn. yesterday reported strong annual and fourth-quar-

ter profits.

Revenues from its film. music and cable and broadcasting divisions all posted record highs, although the group's publishing division saw earn-

ings fall. Fourtb-quarter net income was \$101.1m or 63 ceuts a share, on revenues of \$1.2bn, compared with \$92m or 59 cents, on revenues of \$1.02bn. For the year, net income was \$423.2m or \$2.65, against \$328.1m or \$2.09, on revenues which rose to \$4.21bn from \$3.4bu the previous year.

60 per cent in the fourth quar-

Mr Steven Ross, chairman and chief executive, said: "The

worldwide demand for our entertainment products has never been stronger and the outlook for our businesses in the future remains bright."

The most dramatic gains

were in Warner's music divi-

sion, which posted a 49 per cent increase in annual earn-ings of \$319m from \$213.9m the previous year. Operating income for the quarter was up 50 per cent at \$98.2m from \$65.5m. Worldwide unit sales of compact discs rose

Mr Ross attributed the record division's exceptional performance to a broad group

income rise to \$21.5m from \$16m while annual earnings improved to \$75m from \$46.1m. Warner's film division reported fourth-quarter earnings of \$40.1, compared with \$39.1m, and operating income for the year was \$205m from \$176.4m in 1987.

The improved profits were partly due to record television syndication revenues, interna tional film rentals and domestic and international home

Warner's publishing business was the only division to report losses for the period, performance to a broad group of popular releases.

The company's cable and broadcasting divisiou saw fourth-quarter operating down to \$2.6m from \$4.4m while operating income for the year dropped to \$10.5m from \$11.6m.

## TRW sees progress in all units

By Our Financial Staff

TRW, the US vehicle parts and electronic systems group; expects improved perfor-mances from all three of its

mances from all tiffee of its core businesses after an earnings increase at the year-end. The group, which has been restructuring, lifted full-year net income to \$261m, or \$4.23 per diluted share, up from \$243m, or \$3.95 in 1987. Reveuues rose to \$6.98bn from \$6.82bn.

The company experienced a downturn in the fourth quarter with uet income dipping to

\$56m or 90 cents per diluted sbare from \$67m or \$1.10 a share for the same quarter in 1987. Fourth-quarter revenue was also lower at \$1.71bn, against \$1.74bn.

TRW attributed the fourthquarter decline to the absence of gains from the sale of its commercial electronic components businesses in the fourth

Eaton, which also covers the vehicle components and elec-tronics sectors, announced record earnings and sales for

The group, which has several plants in the UK, lifted net income from continuing operations to \$227.7m or \$6.11 a share from \$206.2m or \$4.89 last time ou sales ahead 12 per cent

to \$3.5bn from \$3.1bn. In the fourth quarter, income from continuing operations rose to \$50.2m or \$1.35, against \$43.9m or \$1.11. Sales rose to \$890.9m, against \$796.4m. Profits were strong and the group approved \$220m in future capi-

#### Colgate earnings almost double

By James Buchan

COLGATE-PALMOLIVE, the US household products group, yes-terday reported a near dou-bling in fourth-quarter earn-ings from its basic businesses, thanks largely to strong per-formances in its overseas per-sonal products operations and good sales of pet food.

The strong quarter, which saw income from continuing operations rise 91 per cent to \$43.7m or 64 cents a share, completed a year of big gains for the New York company.

Though sales for the year grew just 8 per cent to \$4.73bu, a mixture of cost cutting and price gains pushed up earnings from continuing operations by 34 per cent to \$194.7m or \$2.84 a share.

But Colgate, which has just completed a strategic retreat to its base in consumer products, booked a set of special gains and losses to its earn-ings in the quarter and the

The company also sold its health-care subsidiary last autumn, cutting out nearly \$60m in annual earnings but adding a capital gain of

Including all these non-re-curring features, Colgate reported earnings of \$126.7m or \$1.85 a share in the December quarter against \$38.4m and 56 cents a share.

The annual results were \$317.8m or \$4.64 a share in 1988, up from \$54.0m and 78

In its household and personal products business, sales rose 7 per cent and operating profits by more, thanks to operating efficiencies in Colgate's foreign business.

Colgate's domestic operation of the collection of the collect

declined, partly because of new product spending. But the specialty marketing division saw revenues grow 27 per cent, with particularly strong gains in pet food. Mr Reuben Mark, chairman,

aid: "Our enhanced profitabliity stems from the growing effectiveness of our cost reduction programmes, selective price increases, and unit vol-ume growth of 2 per cent, which marks our sixth consec-ntive year of increased vol-

## Troubled Pan Am 'may be put up for sale or merged'

By Anatole Kaletsky in New York

PAN AMERICAN World Airways, the troubled US air carrier which has lost over \$2bn in the past decade, could be put up for sale or merged with another airline, its chair-man, Mr Thomas Plaskett, strongly suggested yesterday.

Mr Plaskett's statement came one day after Pan Am wou a package of valuable work-rule concessions from its

biggest union.
The agreement with the Transport Workers Union meant that Pan Am could finally look forward to a period of labour stability after five years in which it had been continuously in dispute with one or more of its main employee

Mr Plaskett's statement, along with the TWU pay deal, encouraged a further rise in Pan Am's shares, which have now risen by 50 per cent in the past month.

The soaring share price has partly reflected bopes that partly reflected bopes that labour cost savings would ensure the airline's survival. The shares, which jumped another \$% or 11 per cent yes-terday to \$3%, have also bene-fited from expectations of an imminent strike at Eastern Airlines Pan Am's only com-Airlines, Pan Am's only com-petitor on the lucrative New York-Washington-Boston shut-

tle routes.
In addition, there has been

speculation that Pan Am might be taken over by another finan-cially stronger airline wishing to gain access to its unrivalled network of international

Mr Plaskett's remarks yesterday seemed to fuel such hopes. He said the company's operations must "build or become part of a larger route neguror's to manufacture the company's content of the company's content of the content network to maximise the value of Pan Am's European and South American route fran-

This building could be accomplished by Pan Am accomplished by Fan Am acquiring or being acquired by another carrier, by an investor acquiring both Pan Am and another US airline or by a business combination with a foreign carrier, be said.

However, Mr Plaskett added that no substantive talks concerning any such deals were

cerning any such deals were under way. The deal with the Transport

Workers Union, concluded as a result of binding arbitration, could remove one obstacle to any business combination. It also gives Pan Am savings of about \$21m annually.

While this is about 20 per cent less than the \$27m total. that had been requested by management, it brings to nearly \$180m the total value of pay cuts and work-rule conces-sions negotiated by the airline since early last year.

imposed a new contract on the Teamsters, who acted for its sales and reservation agents, after the National Mediation Board declared an impasse in the uegotiations for a new This left the Teamsters free

to strike, and their decision not to do so effectively meant acquiescence in the \$38m acquiescence in the same worth of pay concessions imposed by Pan Am.

The TWU, unlike the other unions, agreed to binding arbi-tration on a new contract and as a result of this was able to

Pan Am's total expenses

Before the deal with the

TWU, which represents 5,700 mechanics and ground staff, Pan Am had concluded agree-

ments with the pilots' and

flight attendants' unions. Last February the company

amount to about \$4bn annu

scale back Pan Am's demands The arbitrator rejected Pan Am's demands for cuts in wages and holidays, achieving the savings instead through changes in work rules, and lower wages for newly hired

With the TWU contract settled, Pan Am could now benefit from three years of stability in labour relations at a time when saveral other US strikes face the expiry of their three-year labour contracts.

#### KLM shows modest rise as costs climb by 7%

By Laura Raun in Amsterdam

KLM Royal Dutch Airlines costs also rose 7 per cent as a lifted earnings modestly in the decline in fuel failed to offset third quarter as revenue rose.

at the same pace as costs.

Profits increased 5 per cent to FI 60.8m (\$28.8m) or FI 1.15 a share in the quarter, from Fi 57.8m or Fi 1.14 a share a

year earlier. KLM, which is 34 per cent owned by the Dutch Govern-ment, said it expected full-year earnings to exceed the Fl 314m

achieved in the previous year.

Traffic expanded 6 per cent and the load factor edged up to 71.6 per cent from 71.4 per cent. Revenue climbed by 7 per turnover which jumped 8 per cent to Fl 1.48bn in the third cent to Fl 4.62bn from quarter from Fl 1.39bn, but Fl 4.26bn.

increases in materials, overheads and salaries.

Operating income advanced 5 per cent to F1 63.2m. Book profits on aircraft sales jumped to F1 8.9m from F1 5.3m. Reserves for taxes, which KLM will pay for the first time this year, amounted to F1 18.1m, up from zero the year

For the first nine months, profits climbed 7 per cent to F1 346.6m, or F1 6.56 a share, from F1 322.7m, or F1 6.35, on turnover which jumped 8 per

#### NWA ahead as aircraft ordered By Our Financial Staff

NWA, which owns Northwest Airlines, yesterday reported stronger than expected fourthquarter earnings, It also ordered 10 Airbus A-330 airlin-ers, valued at \$86m each.

NWA said fourth-quarter net income jumped to \$34m or \$1.16 a share from \$21,000 a year ago on sales which were static at \$29m. The stock gained \$% to \$64% after rising as high as \$65%, near its 52-week high of \$65%.

At the year-end, the net rose to \$135.1m from \$103m and earnings per share to \$4.63 from \$3.59 on revenues of \$5.65bn against \$5.14bn. The first A-330 will be delivered in July 1994.

New Issue

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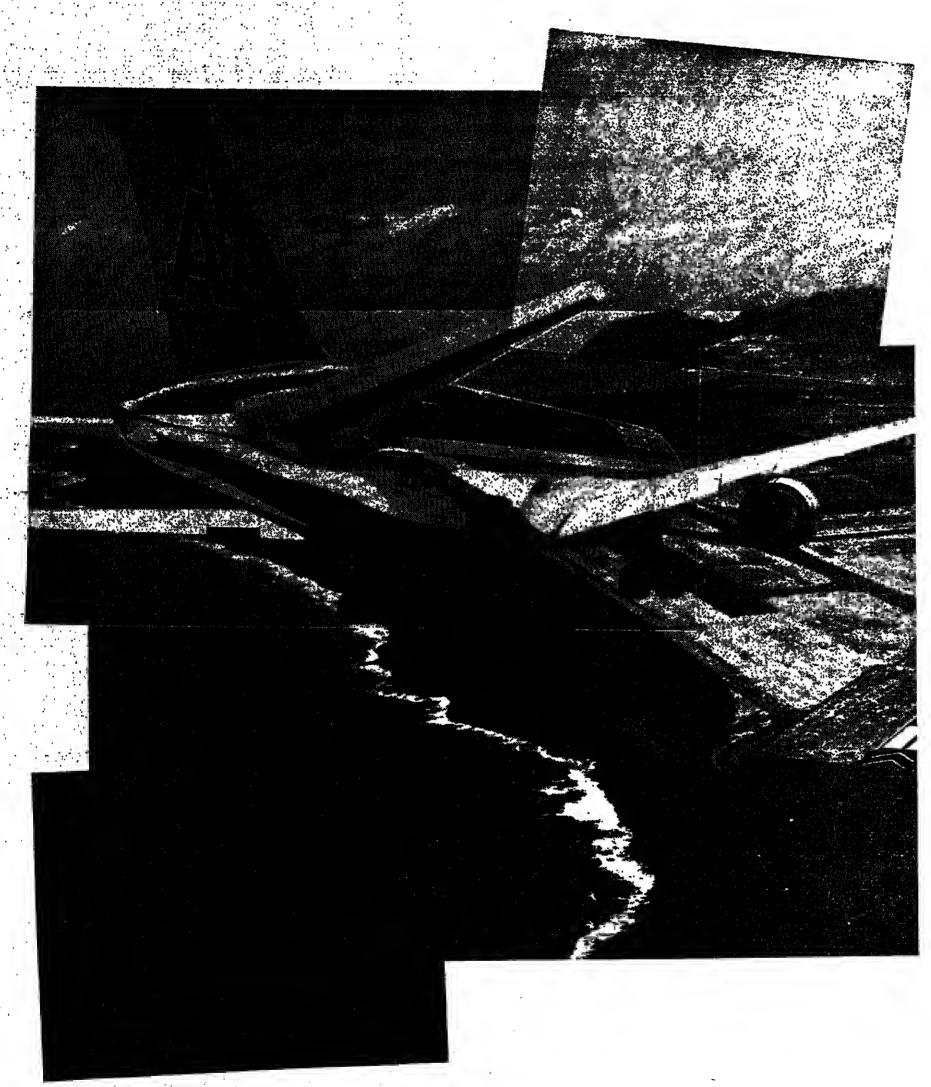
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The following are the serial numbers of the Bonds which will be redeemed in whole:

(Continued on the following page.)

JoH is 1 To

(Continued from the preceding page.)

Accordingly, on 15th March, 1989 the Bonds so

designated for redemption will become due. Pay-

ment will be made upon presentation and surrender thereof of the above Bonds at one hundred per cent

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all Coupons maturing after 15th March, 1989.

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thereto should be detached and surrendered

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International Standard Electric Corporation

The redeemed Bonds should be presented with

Swiss Bank Corporation Basle.

#### INTERNATIONAL COMPANIES AND FINANCE

## Inability to meet demand holds back Telefónica rise

By Peter Bruce in Madrid

TELEFONICA, the widely-quoted Spanish telecommunications monopoly, yesterday reported a Pta61.52hn (\$528m) net profit for last year, a 15.5 per cent increase on 1987 which is relatively modest and reflects the problems the company has been having meeting demand for telephone lines.

Mr Cándido Velázquez, who has just been appointed Tele-fónica chairman following the appointment of his predecessor, Mr Luis Solana, as head of Spanish television, said turnover had risen 13 per cent to

Analysts expect Telefónica to maintain its Pta55 dividend

Earnings per share rose from

Pta64.16 in 1987 to Pta69.13 and pre-tax-profit from Pta73.42bn to Pta85.21bn.

However, the company is having to invest heavily in new technology and lines to cope with its failure to accurately forecast the strong demand for lines.

Growth in business this year could be curtailed again by Telefonica's apparent inability to satisfy this demand and by a \$750m investment it may make in Entel, the Argentine telephone monopoly.

Mr Velazquez said net

- which has irritated many demand for lines last year was investors.

demand for lines last year was 789,200 and that there had been no notable change in the waiting list, which stood at 570,000.

 Mr Miguel Angel del Valle-Inclan is likely to be named the new president of Tabacalera, the state-owned tobacco monopoly, according to reports in Madrid.

Already on the board of Tabacalera, he would replace Mr Velázquez, who has just moved to Telefonica. Both men are supporters of the governing Socialist Party. Mr Valle-Inclán, 54, is a former chief of the Spanish customs

#### Banks link in Turkey to bolster tourism

By Jim Bodgener

TURKEY'S state-owned Turizm Bankasi has been merged with the larger Turkish Development Bank as part of the Turkish Government's programme to rationalise and streamline its state banking sector. The merger will also bolster lending to the rapidly developing tourist industry.

There were fears that Tur-izm Bankasi might become over-extended - its credits increased to TL466bn (\$329m) in the first half of 1988 compared with TL62bn for the whole of 1986.

Turkish Development Bank has a strong private sector base, being 49 per cent owned by the Treasury, with remaining equity divided between other banks, companies, and employee pension funds.

It will continue to lend funds to Treasure bearings.

funds to Turkey's booming tourist industry at the same rate as Turizm Bankasi, says its general manager, Mr Halit Kara. The merged bank was the industry's largest provider of venture capital. Turkish Development Bank

has a total capital of TL150bn compared with the former Tur-izm Bankasi's authorised capital of TL50bn of which about TL16bn was paid up. This means that a much

stronger institution will be funding a key economic sector according to Mr Kara. It prob ably will not need to raise its capital as a result of the merger — particularly as it will be taking over Turizm Bankasi's assets of TL682bn. Net profits in 1988 were about TL19bn, compared with

Turism Bankasi's after-tax profits of about TL8bn - but its oans roughly matched Turizm Bankasi's.

The merger was eased late last week by the incorporation of Turban As, a holding company for the chain of hotels and resorts previously owned by Turizm Bankasi.

In the interests of concen-trating on banking, the lat-ter's shares in these were transferred to the Govern ment's Mass Housing and Pub-lic Participation Administration (MHPPA) in a preparation for denationalisation.

## Euroc records 76% surge in income after restructuring

By Sara Webb in Stockholm

EUROC, the Swedish building materials, engineering and trading group, yesterday reported a 76 per cent surge in profits for 1988 helped by its restructuring and strong demand in the building sector for its products for its products.

Profits after financial items reached SKr820m (\$129m) compared with SKr467m in 1987. Once adjusted for acquisitions and disposals, the increase in profit amounted to 40 per cent. The board will make a pro-posal on the size of the dividend when it meets next month.

Group turnover rose by 37 per cent from SKr6.78bn to SKr9.3bn, mainly due to acquisitions made in the last year including De Boo, a Dutch building material wholesaler. Turnover in 1989 is expected to increase to about SKrlibn, the

had not experienced the usual drop in the winter months due to the very mild weather in Sweden. This meant the final quarter result was much stronger than expected. Euroc said. It added that the restructuring measures taken in the past two years had paid off in the 1988 results. Euroc realised 1988 results. Euroc realised capital gains of SKr1.68bn on the sale its shares in Opus, an investment company, and from selling off its Dynapac building equipment subsidiary which had made heavy losses in 1985 and 1986.

Scancem, the cement com-

pany which is jointly owned by

Euroc and Aker Norcem of

Norway, also made strategic

acquisitions, bnying cement

and concrete plants in the US

and RTZ's cement business in

ing materials was strong, and

Euroc said demand for build-

#### Hoechst disputes value of Celanese Canada shares

By Robert Gibbens In Montreal

TWO LARGE Canadian from 30 cents - the fifth investment firms have told institutional customers that Celanese Canada's publiclyheld minority shares are worth more than the C\$35 per share being offered by Hoechst, the West German chemicals giant which is the majority owner.

But Hoechst officials say the offer is fair and reasonable and will not be increased. A month ago Hoechst, through a US subsidiary, offered C\$35 a share for the minority holdings and Celanese Canada shareholders were due to decide by yester-day whether to accept. Two-thirds of the minority shares must be tendered if the offer is to succeed in its present form. Burns Fry and Wood Gundy bave said the Celanese Canada

shares are worth anywhere from C\$42 to C\$47, because of continuing buoyant conditions in the petrochemical industry and recovery in synthetic fibre products, both special areas of Celanese Canada's business. Alcan Alnminium has raised its quarterly dividend to

42 US cents a common share

ing good performance and a positive outlook for 1989. The common shares rose to C\$41.50 in Canada on Wednesday, and Alcan is splitting its stock three-for-two to ensure

increase in two years.

The company has reported record earnings in each of the

past two years because of surg-

ing aluminium prices and strong demand. Alcan said the

latest increase reflects continu-

wide distribution. • St Lawrence Cement, the eastern Canada cemeot and construction group controlled by Holderbank of Switzerland, had a strong final quarter in 1988, with strong domestic and US demand and firm prices.

Fourth-quarter earnings were C\$30.4m (\$25.6m), or 76 cents a share, up from C\$20.9m, or 52 cents, a year earlier, on revenue of C\$219m,

against C\$196m.
For all 1988, net profit was C\$86.6m, or C\$2.15 a share, up from C\$71m, or C\$1.77, in 1987. Revenues were C\$732m against

## Privatbanken slices dividend

PRIVATBANKEN, one of Denmark's big three commercial banks, is cutting its dividend from 15 to 10 per cent, despite an increase in pre-tax profits from DKr295m to DKr989m (\$129m) for 1988. Net profits increased from

DKr226m to DKr831m. The dividend reduction, which cuts the payout from DKr211m to DKr139m, was made, said the bank, to bring the dividend into line with pre-

at MAN

The bank doubled its loan-loss provisions from DKr305m to DKr621m because of difficult economic conditions. Operating profits increased from DKr471m to DKr523m, giving a return on equity capital of 9.5 per cent and a return on total There was a DKr712m gain

portfolio, reflecting a sharp rise in both bond and share prices in Copenhagen last year. The balance sheet total increased over the year from DKr103bn to DKr110bn.

Operating profits in 1989 are expected to show a moderate improvement, but demand for credit will remain slow and the hank's marketing will be aimed at gaining market shares, said the bank.

on the value of the securities

### Half-year sales show 14% gain

MAN, the West Germany engineering group, expects profits to rise in fiscal 1989 after sales in the first six months rose 14 per cent to DM7.02bn (\$3.75bn), from DM6.17hn in the previous year,

AP-DJ reports from Frankfurt.
- Net profits rose by 24 per cent in fiscal 1988 to DM201.7m. from DM163.3m. The 1988 dividend was raised to DM6.50 Order inflow was up 20 per cent to DMS 25bn in the 1989

her 31, compared with Orders on hand totalled DM14.33bn at the end of the year, up 8 per cent from a year

fiscal first half, ended Decem-

#### Strong demand and price increases boost Hoboken

By Our Financial Staff

HOBOKEN, the Belgian refiner of non-ferrous metals and the largest copper producer in Europe, recorded a 15 per cent increase in net profit in fiscal 1988 on strong demand and a rise in price for its products. Net profit rose to BFr837m (\$21.4m) in the year ended September 30, from BFr730.66m the previous fiscal year, according to Hoboken's annual report. Hoboken is 75 per cent owned by Société Générale de Belgique, Belgium's largest

holding company.
In spite of the improvement Hoboken is proposing to pay an unchanged net dividend on ordinary shares and to cut the dividend on AFV stock, a spe-

cial class of chares which offer tax advantages.

As previously reported, Hoboken is proposing to pay a net dividend on regular shares of BFr260 per share, unchanged from the previous fiscal year, and to cut the net payout on AFV shares to BFr456 from BFr465.

Hoboken's operating profit immed 24 per cent to BFr15hm

jumped 34 per cent to BFr1.6bn in fiscal 1988 from BFr1.19bn the previous fiscal year, Reve-nne rose 26 per cent to BFr58.99bn from BFr46.82bn. Production of copper, zinc and platinum reached record levels in fiscal 1988 as demand

rose amid a recovery in the

world's economy.

## ALLIANCE LEICESTER

Alliance & Leicester Building Society

£150,000,000

Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 8th May, 1989 has been fixed at 13.10% per annum. The interest accruing for such three month period will be £319.42 per £10,000 Bearer Note, and £3,194.25 per £100,000 Bearer Note, on 8th May, 1989 against presentation of Coupon No. 4.



Agent Bank

#### U.S. \$150,000,000



Northeast Savings, F.A.

Collateralized Floating Rate Notes Due 1996

Interest Rate

9.7875% per annum

U.S. \$492.09

Interest Period

10th February 1989 10th August 1989 Interest Amount per

U.S. \$10,000 Note due 10th August 1989

Credit Suisse First Boston Limited

U.S. \$300,000,000



Republic of Indonesia

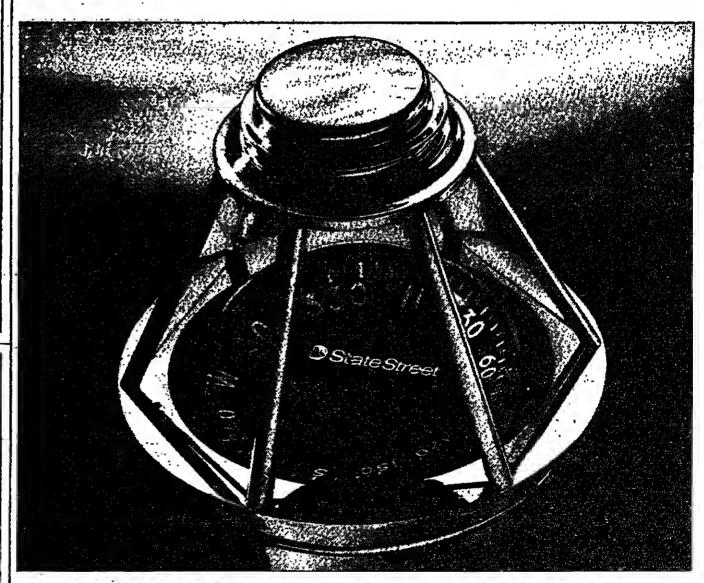
Floating Rate Notes due February 2001

In accordance with the provisions of the Notes, notice is hereby given that for the interest Period from February 10, 1989 to August 10, 1989 the Notes will carry an interest rate of 9%% per annum. The interest payable on the relevant interest payment date, August 10, 1989 will be U.S. \$12,412.33 and U.S. \$496.49 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Menhattan Bank, N.A. London, Agent Bank

February 10, 1989





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cease to accrue.

## **CHAMPION SPARKS OFF** NEW DEVELOPMENT IN WIRRAL Champion's new double copper sparting plug is set to revolutionis motoring in the next decade. Costing millions of pounds to develop Champion's new plug has ignited the imagination of car designers. To meet the demand, Champion's Wirral factory is being geared up utilising the latest technology which will make it the most modern of its kind in Western Europe. Like Champion, many Wirral imms are at the forefront of product innovation — constantly changing and progressing to meet future needs. development taking place here and this Wirral too is changing – and rapidly, Large urban areas are being ravitalised by the Messayside Development Corporation, Wirral Borough Council and the private sector. Wirral as an international For the first time this century clearance of redundant docklands and industrial sites is presenting new development opportunities in commence, housing, manufacturing and Already major new shopping projects are equipping Wirral with facilities fit for the next generation. The picturesque pennisula of Wirral provides a awing environment amongst the best in the country. Many come to work here — few wish to leave. Find but why Wirral is presenting opportunities for development — it could spark off ideas for you. CHAMPION

BSN RISES...

BILLION F F **TURNOVER IN 1988** 

For further information contact:

David Hunt, Industrial Development Officer

Wirral Borough Council · Wirral Business Centre Dock Road · Birkenhead · Wirral · L41 1JW

051-630 6060

The BSN Group recorded consolidated sales of 42.2 billion French francs for the year 1988 compared with 37.2 billion French francs for the year 1987.

The breakdown of consolidated sales by division is as follows:

(in millions of French francs)	1988	1987
Dairy Products	11,065	9,796
Grocery Products	10,250	8,826
Biscuits	7,221	6:362
Beer	6,260	5,577
Champagne, Mineral Water	3,476	2,975
Containers	4,997	4,626
	43,269	38,162
Intra Group sales	(1,092)	(1,006)
TOTAL GROUP	42,177	37,156

1988 consolidated sales take into account acquisitions and disposals of companies at their completion date.

On a comparable basis ans unchanged exchange rates, the evolution of the different divisions and of the Group is as follows:

Dairy Products	9.5 %
Grocery Products	7.5 %
Biscuits	5.0 %
Beer	2.5 %
Champagne, Mineral Water	14.3 %
Containers	4.8 %
TOTAL GROUP	7.0 %

PRANCEISELMANNERAMONIN

As part of the development of BBL's (Banque Bruxelles Lambert) international network

**Banque Louis-Dreyfus** 

BANQUE LOUIS DREYFUS

has acquired 51% of the capital of Société Auboyneau-Labouret-Ollivier S.A. stockbroker in Paris



Auboyneau - Labouret - Ollivier

and will hold 90% within the next year

This association will provide the two partners with fresh opportunities on the Paris market, an extend the services available to their respective clients.

#### INTERNATIONAL COMPANIES AND FINANCE

## Record first-half result at Renison

By Chris Sherwell in Sydney

A SHARP increase in mineral sands earnings lifted interim after-tax profit of Renison Goldfields Consolidated, the 48 per cent-owned Australian arm of Consolidated Gold Fields of the UK, to a record A\$35.3m (US\$31.5m).

The result, covering the six months to December, was 68.1 per cent up on the same period of 1987. Revenues were 8 per cent higher at A\$274.5m.

Directors forecast a full-year result "substantially ahead of last year's," and doubled the interim dividend to 10 cents a share. With last September's one-for-three bonus issue, this represents a near-trebling of the amount paid out, to A\$16m.

NZ forestry

raise \$185m

ONE OF New Zealand's

one of New Zealand's leading forestry groups, Carter Holt Harvey, is going to the European capital markets to raise NZ\$300m (US\$184.7m). The funds will be used to finance last year's purchase of the profitable Caxton toilet and the

tissue paper group and to restructure and re-align NZ\$100m worth of existing con-

vertible securities and options issued in the Swiss market.

Mr Richard Carter, the exec-ntive chairman, said the exist-

ing Swiss securities would be redeemed and reissued at a

conversion rate that reflected

the current market value of Carter Holt shares. They were first issued two years ago at the height of the share market

boom and were unrealistic at

current prices.
The second stage involves

issuing NZ\$200m of convertible securities in Switzerland and also probably on the West Ger-man market through a Euro-

pean bank.
Buyers would have the right to convert their securities into

Carter Holt shares after five

years. The convertible note

could mean the issue of another 125m shares. This

would boost the company's

capital of 450m shares.

The shareholders have been asked to approve the move at

group to

in Europe

By Dai Hayward

Regarding last week's UK approval for the South Afri-can-controlled Minorco to bid for Consolidated Gold Fields, Renisen said Minorco had committed itself unequivocally to selling its Renison interest to a group which was not an associate of Anglo American of South Africa, De Beers or the

to be successful in any renewed takeover offer for Consolidated Gold Fields, the Renison group's businesses should not be adversely affected by South African control," it stated.

The issue is of concern because the Papua New Guinea

By R.C. Murthy in Bombay

in April to December 1987.

Government has indicated that a Minorco-controlled Renison a Minorco-controlled Renison would have to abandon its one-third stake in the Porgera gold mine development, one of Renison's brightest hopes for the future. Approval for the project is expected soon.

According to a breakdown of yesterday's figures; Renison's mineral sands operations contributed A\$64m to pre-tax profits, an increase of 67.5 per cent

Oppenheimer family.
"Therefore if Minorco were its, an increase of 67.5 per cent on the previous year's A\$38.2m. Prices for zircon strengthened, and the company said it was modifying plans in order to maximise pro-

Stronger copper prices helped the Mt Lyell mine con-

tribute A\$11.5m, up 25 per cent from A\$9.2m, while the newly acquired Koba tin business in Indonesia contributed A\$4.7m.
The company said tin prices were stronger, but they remained well-short of pre-1985

The group's gold operations were hit by a declining world bullion price and the strengthening Australian dollar. The contribution from Pine Creek was slashed by two thirds, while the NGG gold business incurred a loss of A\$1.75m loss:

Exploration registered a loss of A\$14m, and another A\$5m loss came from corporate activ-

Air India records \$9.33m net income at nine-month stage

AIR INDIA, the country's flag expenditure rose by some 10 carrier, has made a net profit per cent to Rs8.37bm. An of Rs140.6m (\$9.33m) in the improved traffic mix, with the nine months to December 1988, emphasis on first and business against a net lose of Rs273.4m class, lifted the yield by 14-per

Mr Rajan Jetley, the managing director, says the profitability has been highest ever, a level which maintained in January and the airline will make a substantial profit in the year to March discounting, Mr Jetley 1989.

The airline incurred its Air India has introduced biggest-ever net loss of more non-stop flights and Rs434.1m last year, following night flights to Europe, for the convenience of business travel-

a sharp drop in traffic on convenience of business travel-the Gulf rontes, which had lers and passengers making contributed most to Air India's onward connections. profits.

The acquisition of two new
Boeing 747 Combis has given The acquisition of two new

room for flexibility in operations and for new point-to-point services eliminating stop-overs.

The emphasis now is on

bus Industrie are to make pre-sentations to Air India on the aircraft they are offering (MD11s and A-340s) for its long-haul rontes with thin traffic.

"Both aircraft are good and the selection would be based entirely on price," says Mr

Jetley.

Air India plans to acquire some 15 medium-sized jets, and another 10 Boeing 747-400s to replace its 10 ageing Jumbos which are to be phased out over the next decade. The airline is to buy two

Boeing 747s immediately to replace its two oldest aircraft, which are to be converted into

The air line at present has 10 Jumbos, three Airbus A-300s and six Airbus A-310s. The Indian Government has opened talks with the Soviet Union for purchasing Russian aircraft but no progress has been made

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as a business park. This property has a one-

mile frontage on a major four-lane highway.

Projected population increase of 200% over

#### Indonesian airline ends run of losses

By John Murray Brown in Jakarta

GARUDA INDONESIA, the state-owned airline, reported a profit for 1988, taking the company out of the red for the

first time in six years.

Mr Mochamad Soeparao,
Garnda's president, said the
profit turnaround resulted
from improved sales, lower
costs and a major capital

restructuring.
Garada's not profit, which
has still to be formally has still to be formally audited, was Rs127bn (372.4m), which compares with a Rs146bn less in 1987. Operating revenues were up from Rs1,490bn to Rs1,760bn, with 78 per cent of the earnings coming from international routes.

Garnda has 73 aircraft-including nine Airbus A300s and six Beeing 747s. It plans to buy a further 12 long-haul carriers at an estimated cost of Signature and estimated control of the expected growth in Asia Pacific traffic.

Garuda and IPTN, the Indo-

nesian aerospace company, are in talks with McDonnell Douglas, Boeing and the Europe Airbus conscrtium. According to local reports, McDonnell Douglas will sign a sales con-tract for six MD-11s by the end

of February.

Any sale, however, is expected to carry a considerable offset component. Mr Jusuf Habibie, the head of IPTN, has in the past talked of as much as 50 per cent of the value sourced locally.

Mr Soeparno said yesterday that, with the improvement in the trading position, the com-pany could finance the deal, in spite of its current outstanding debts of \$380m. Most of this relates to the purchase of Airboses in the early 1980s.

### April and December last year augmenting both short term jumped by 15.8 per cent to Rs8.73bn, although operating McDonnell Douglas and Air-Wooltru lifts profits 24% but growth may slacken

By Jim Jones in Cape Town

year has come about because

of a 16 per cent rise in revenues and a saving in expendi-ture, says Mr Jetley.

Total revenues between

WOOLTRU, the diversified South African clothing retail chain, benefited from unexpectedly high consumer spending in the six months to December 31, but is uncertain about prospects for the rest of

the year. First-half turnover rose 24 per cent to R1.07bn (\$438m) from R860m a year earlier and the interim pre-tax profit was R88.6m against R64.5m.

as extraordinary meeting later this month. Carter Holt shares have risen rapidly over the past six months. Last September, they were worth NZ\$1.65. At the end of the year they were NZ\$1.93 and this week The directors forecast were trading at NZ\$2.44. greater profits this year, but warn of a lower rowth rate even though sales in the first six weeks of calendar 1989 were part by overseas investors. There has been considerable interest in Carter Holt's for-21 per cent higher than a year estry investments in Chile.

According to the directors, the retail chain and Makro, the wholly owned cash-and-carry-wholesale subsidiary, improved their productivity.

their productivity.

Makro plans to expand into new market areas. The trading outlook is uncertain, with conflicting views on the economy's potential, the directors add.

Retail sales appear to be responding more slowly, than expected to recent official measures designed to restrict con-

sumer spending. First-half earnings rose to 133.9 cents a share from 94.6 cents and the interim dividend has been lifted to 47 cents from

Fairfax sells 50% of NZ magazine to Liberty

Financial details of the

**GMAC** 

MORGAN GUARANTY TRUST COMPANY

Halifax Building

Society

Posting Rate Loan Notes 199

For the three month period from 9 February, 1989 to 9 May, 1989 the Notes will bear interest at the rate of

13.10 per cent. per amum.

The Coupon amounts will be £159.71 per £5,000 Note and

£1,597.12 per £50,000 Note,

payable on 9 May, 1989.

Aorgan Grenfell & Co. Limite

Agent Bank

Series 1986 Ears-A
February 15, 1999 bulders of corpores from
set Bucked Cartificates will be entitled to sites, based on the cartification of Genseal
Acceptance Corporation. The distribution
original US\$10,000 p.s. of Cartificates in
19, as follows:
(ptributes)

JOHN FAIRFAX, the transaction have not been dis-Australian media group, has closed. Fairfax will retain 50 per

land monthly magazine, Personal investor, to Liberty Publishing, AP-DJ reports from Liberty, to be called New Zealand Financial Press. Liberty is a privately-owned

an address in London.

New Zealand publishing group

BANCO DE LA NACION

LIMA - PERU **NOTICE** 

It has come to our notice that certain Promissory Notes may be circulating purporting to carry the

endorsement of Banco de la Nación as guarantor. The Notes in question are issued by Scorpion

Fish S.A., a corporation with an address in Lima, in favour of Deltonmace Ltd., a corporation with

The endorsement of Banco de la Nacion on these

notes has been forged and persons are warned not to give value for any such Promissory Notes.

In the event that any of these Promissory Notes

come to their notice, persons are requested to report the fact immediately to the Head Office of

Telephone: 337588 Telex: 25000 Fax: 335590

Banco de la Nación, Lima, Peru.

Avenida Nicolas de Pierola, 1065

which also produces the Property Press paper. The two groups already jointly own Fourth Estate Group, publisher of National Business Review, New Zealand's daily financial newspaper.

FOR FULL INFORMATION CONTACT: GENE FRANKLIN FAX 817-776-0832 817-776-4528, P.O. BOX 7231, WACO, TX USA 76714



NOTICE OF OPTIONAL REDEMPTION BY BONDHOLDERS

#### **NEW ZEALAND FOREST** PRODUCTS FINANCE N.V.

15% per cent. Guaranteed Bonds Due 1991

NOTICE IS HEREBY GIVEN, that the above Bonds are subject to redemption at the option of the Bendhulder on May 15, 1989 at 100° at of the principal amount thereof.

To exercise the option in respect of any Bond, a Bondhulder must irrevocably deposit Bonds to be redeemed, together with all annatured compons appertaining thereto, with any Paving Agant against receipt during the period March 16, 1989 through April 14, 1989, both inclusive. Pavment of Bonds to be redeemed will be made at the U.S. dollar equivalent of the principal amount of the Bonds unless the Bondholder elects to receive N.Z. dollars in payment thereof pursuant in Condition 8 of the Bonds. Coupons payable on May 15, 1989 should be detached and presented in the usual manner.

Dated: February 10, 1989

Bremer Landesbank Finance (Curação) N.V.

Banco de la Nación

Lima - Peru.

NOTICE

NOTICE

to the holders (the "Noteholders") of the AS 50,000,000 1434 % Notes due 1890 (the "Notes") of Bremer Landesbank Finance (Curação) N.V. (the "Issuer").

SUBSTITUTION OF PRINCIPAL DEBTOR

Notice is hereby given to the Noteholders that Seemer Landesbank Capital Markets PLC (the "Substituted Debtor") will be substituted in accordance with Condition 14 for the Issuer with effect from 27th February, 1989 instead of 13th February, 1989 as indicated in the Notice of Substitution published herein on 30th January, 1989.

BREMER LANDESBANK FINANCE (CURAÇÃO) N.V. Dated 10th February, 1989

BREMER LANDESBANK FINANCE

(CURAÇÃO) N.V.

Dated 10th February, 1989.

**NEW ZEALAND FOREST** PRODUCTS FINANCE N.V.

SATELLITE BROADCASTING

The Financial Times proposes to publish this survey on:

14th March 1989

For a full editorial synopsis and advertisement details, ple

Neville Woodcock ea 01-248-8000 ext 3365

or write to him at

Bracken House -i0 Cannon Street EC4P 4BY

**FINANCIAL TIMES** 

#### INTERNATIONAL CAPITAL MARKETS

## Nationwide Anglia makes Directors at £50m index-linked issue

Onesian

ine

2024 in the domestic market, designed to raise low-cost funds for a rental housing.

scheme it operates. S.G. War-burg is underwriter.

The bonds are similar to the UK Treasury's 2½ per cent index-linked bonds which rise and fall in principal value with the rate of inflation. Interest is paid at 2½ per cent of the cal-culated principal value of the culated principal value of the bonds semi-annually.

When inflation is higher. both the semi-annual interest payments and the principal value of the bonds rise.

Nationwide Anglia's bonds were priced at 99,078 per cent to yield 1 per cent over the gross rate of return on the 2% per cent Treasury stock due 2024. Gross yield on the new

NATIONWIDE Anglia, the payable at launch with the UK's third largest building remainder to be paid in six society, yesterday issued a months. The UK Treasury's failure to issue new stock since it began running budget sur-pluses has enabled private-sec-

pluses has enabled private-sec-tor borrowers to tap this speci-alised pool of investors.

The issue is the third index-linked offering from Nation-wide Anglia, which launched similar deals in July 1986 and April 1987. But it remains the only UK institution to do so publicly, partly because issu-ance of such securities requires the maintenance of liabilities

that match them.

Proceeds from the issue will be used to make loans to buy-ers of rental properties under Nationwide Anglia's Glasgowbased Quality Street joint ven-

Mr Brian Phillips, deputy chief executive, said: "Rental property programmes are very hard to get off the ground unless there is low-cost fund-

ing." He added the building society's previous two issues had been used to provide funds for local housing associations of tenants who had purchased

their council estates.

The index-linked bonds allow lenders to charge low nominal rates of interest on home mort-gages. However, the increase in principal at maturity can be matched by the increased value of tenants' homes.

● Allied-Lyons yesterday issued a £150m domestic deben-ture due 2019 which is secured by a first floating charge on the assets and the business of the company. Baring Securities was lead manager.

was lead manager.
The coupon was set at 9% per cent and priced at 98.477 per cent to yield 100 basis points over the UK Treasury's 9 per cent stock dne 2008.
Proceeds will be used for general corporate purposes, including the refinancing of short- and medium-term debt.

## Austria eases exchange control

By Judy Dempsey in Vienna

THE AUSTRIAN National . seems set on heading down the path of deregulation and liberalisation following recently introduced measures aimed at lifting several exchange controls.

But while the new legisla-tion will assist investors and enterprises, the securities and capital markets will have to wait slightly longer for more liberal winds to waft from Otto-Wagner-Platz, headquarters of the National Bank. The liberalisation is aimed at

bringing the Austrian banking system more into line with other West European countries. The Government intends to make a formal application to join the European Community

The measures, which came into force on February 1, mean out of the country have been

11.7.00

that Austrian residents will be able to invest abroad without the prior consent of the central bank. Residents will be free to

eigners alike, will be thinned out. Austrian residents, for example, will be free to borrow foreign currency from non-Austrian banks and will only have to notify the National Bank when a loan exceeds

increased from Sch50,000 to Sch100,000 (\$7,593).

Although Austrians trying to tan the foreign bond market and vice versa still require per-mission under current legislamission under current legisla-tion, Viennese bankers say the central bank is planning more liberalisation which should phase out the requirement of depositing with an Austrian bank any foreign securities purchased by residents.

It is also expected that the

It is also expected that the restrictions imposed on residents buying gold bullion and foreign gold coins will be lifted. Some bankers are impatient, rather than critical, that the new measures have not gone far enough. But as one securi-ties trader commented: "When yon are dealing with a system based on wartime planning, it takes time to change it."

#### FT INTERNATIONAL BOND SERVICE

n Crp.91 US....

01.1 07.1 188 01.0 189

† Only one market maker supplied a price

OTHER STRANEATS
Abbry Nas. PS.10 % 93 S.
Als. Bk. Ned. 5% 92 FL.
Als. Bk. Ned. 5% 93 FL.
Als. Bk. Ned. 5% 93 FL.
Amor Bank 64, 92 FL.
Aust. Ind. Dev. 12% 93AS.
Aust. Ind. Je. 94 ECU.
Barr. Bk. 10% 97 £.
British Alrways 10 98 £.
British Alrways 10 98 £.
British Alrways 10 98 £.
Bultmann. Tet. 6% 95 FL.
Comm. Bk. Aust. 12% 93AS.
Coop. Ctr. Rabo. 6% 95 FL.
Coop. Ctr. Rabo. 6% 95 FL.
Coop. Ctr. Rabo. 6% 95 FL.
Dentish 7% 92 ECU.
Dixon \$1.19 5 £.
Dett. Bk. Aust. 12% 95 AS.
Eestman Kodak 13 90 AS.
Eest. By 7% 61 EFr.
Elec. France 10% 95 CS.
Eenatom 7% 97 ECU.
Fed. Bos. Dv. Bk. 9% 92 CS.
Ford Mtv. Cred 7% 91 ECU.
Gillette Can. 9% 93 £.
M. A.C. 9% 93 CS.

buy insurance policies from foreign insurers for lump-sum premiums and invest in property outside the country.

In addition, Austrians will be

able to acquire shares and interests in foreign companies.

On the issue of borrowing from abroad, the Austrian bureaucratic jungle, frequently a complaint of locals and foreign abroad and foreign and foreign and a share although the share about the same and the sa

The limit on money transfers

#### NZ finance group call in receiver By Dai Hayward

in Wellington

ANOTHER New Zealand investment banking company, Guthrie Financial Corporation, has been placed in receivership at the directors'

request.
The company started in 1979
as a bullion dealer and expanded into a full financial services company. It has a futures trading arm, Guthrie Brokers, a share broking company, Guthrie Equities, a foreign exchange operation, and is a unit trust broker and cor-

is a unit trust broker and cor-porate lender. It is one of the top three dealers by volume on the local futures market. Guthrie is a public company wholly owned by the Guthrie family. For the 10 months ended January 1989 it made a ennet January 1889 it made a net loss of NZ\$157,886 (US\$97,500). Paid-up capital was NZ\$2m and shareholders' funds stood at NZ\$1.8m.

A prospectus issued by Guthrie last June forecast an after-tax profit of NZ\$1.08m for the year to March 1990 and NZ\$2.7m for 1990-91. The New Zealand Futures

Exchange said it was unable to transfer the open positions of clients of Guthrie Brokers following the appointment of On Wednesday the exchange

ordered Guthrie Brokers to stop trading after speculation tion, and said it would transfer clients' positions to another member.

But it said yesterday that the appointment of receivers meant the transfer was not effected.

#### **James Capel** lifts stake in French broker By Our Financial Staff

JAMES CAPEL, the London stockbroker which is part of the Hongkong and Shanghai Banking group, has raised its stake in Dufour Lacarrière Pouget, the French brokerage firm, from 30 per cent to 76

per cent.
Capel said provisions were in place to raise its interest in DLP to 100 per cent by early 1990. The French firm's name will be changed to DLP-James Capel but it will continue to be managed from Paris.

Capel did not disclose how such it had paid for the additional shares. Mr Charles Smedley, Capel's

director for Europe, said the additional investment in DLP reflected the growth of Paris as an international financial centre and Capel's commitment to European markets. He added, however, that DLP would remain primarily a French company serving French clients. Capel purchased its original interest in September 1987.

#### Banks urged to combat money laundering

THE BELGIAN Banking Commission has asked banks to follow principles drawn up by the Group of Ten to combat "laundering" of money from criminal activities, Reuter

A banking commission spokesman said the authority had written to banking associations asking them to circulate the statement of principles to their members and ensure that they followed

The principles, issued early last month, call on banks to determine the true identity of their customers, not to aid transactions which they suspect are connected with mon-ey-laundering and to co-oper-ate with law enforcement authorities as far as permitted by local banking secrecy regu-lations.

#### **NORDIC** BANKING

The Financial Times proposes to poblish this survey on:

27th February 1989 For a full editorial synopsis and advertisement details, please contact:

on 01-248 8000 ext 3699

or write to him et: Bracken House 10 Cannon Street London

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**FINANCIAL TIMES** 

**NEW ISSUE** This announcement appears as a matter of record only. February, 1989



## SUMITOMO FORESTRY CO., LTD.

U.S. \$150,000,000

4% per cent. Guaranteed Bonds Due 1993

#### Warrants

to subscribe for shares of common stock of Sumitomo Forestry Co., Ltd. payment of principal and interest being unconditionally and irrevocably guaranteed by

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ISSUE PRICE 100 PER CENT.

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Kleinwort Benson Limited

Sumitomo Finance International

Bank of Tokyo Capital Markets Group

Algemene Bank Nederland N.V.

Banque Indosuez

**BNP Capital Markets Limited** 

Chase Investment Bank

Credit Suisse First Boston Limited

Robert Fleming & Co. Limited

Meiko Europe Limited

Morgan Grenfell Securities Limited

Nomura International Limited

Salomon Brothers International Limited

Sumitomo Trust International Limited

Banque Bruxelles Lambert S.A.

Baring Brothers & Co., Limited

James Capel & Co. Limited

Citicorp Investment Bank Limited

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Merrill Lynch International & Co. NatWest Capital Markets Limited

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**Bank of America** Citibank Canada

Banque Nationale de Paris **Bank of Montreal** Bayerische Landesbank Girozentrale

Managers

Banque Internationale a Luxembourg The Dai-Ichi Kangyo Bank, Ltd. The Saitama Bank, Ltd./Saitama Finance International Limited **Swiss Bank Corporation** 

Co-Managers

Banque Française du Commerce Exterieur Montreal Trust Company of Canada

Canadian Imperial Bank of Commerce Royal Trust Corporation of Canada

Dealers

Bank of America International Limited BNP Capital Markets Limited

Citicorp Investment Bank Limited

Agent Bank of Montreal

December 14, 1988

Bank of Montreal

**GOVERNMENT BONDS** 

## reasuries fall heavily in the wake of disappointing auction

By Janet Bush in New York and Katharine Campbell in London

TREASURY bonds tumbled yesterday morning in advance of the 30-year bood auctioo. after the results of Wednesday's 10-year sale disappointed high expectations.

At midsession, bond prices were quoted as much as 3a point lower.

The Tressury's long bond performed slightly better than other long meturities. It stood point lower for a yield of

8.90 per ceot.
After inverting earlier this week, the yield curve bas turned up slightly, with the bond equivalent yield on three-month Treasury bills quoted at 8.79 per cent.

Total subscriptions at the 10-year were comparable with previous auctions but expecta-tions had been raised by befty foreign participation in Tues-

day's three-year sale. There was also considerable caution as the market waited for the long bond auction yesterday and President George Busb's presentation of his first budget. There is expected to be

INTERNATIONAL BONDS

AGAINST THE difficult

background of a auction of 10-

year US Treasury bills, the Enropean Investment Bank

(EIB) launched a \$200m 10-year

issue via Chase Investment

The honds, which are non-

callable, carry a 9% per cent coupon and were priced at

101% to yield around 34 basis

points over the when-issued benchmark Treasury. This compared with launch

spreads of 38 basis points for the recent Electricité de France

Chase won the mandate after

a hidding competition and started selling the paper late yesterday morning. Early demand was said to have been

hrisk, with \$50m placed in the first 10 minutes. However, the

ssue ran into trouble when the

US Treasury market opened

and government bond prices

were marked down by around

Having opened bid less full fees of 1% per cent, the EIB bonds slipped back to as low as

less 2.17 bid, with one trader

reporting small buying interest

and Japan Exim Bank issues.

e political storm in Congress about the President's proposal to cut capital gains tax and considerable scepticism about his budget arithmetic.

INVERTED or very flat yield curves bave become a feature of the landscape in most of the key cond markets around the

The outlook for short-term interest rates in the US and hence elsewhere suggests this pattern will persist, at least for a while. As a result, institutions bave been focusing strat-egies around successfully cap-turing that configuration.

When investors are paid as much, or more, to lend money for two years as they would receive locking it away for 30, it indicates the bond market takes a more sanguine view of inflation than the monetary

Sbort rates are high because central banks keep them so, but at the long end the mar-

et lower levels from investors

The lead manager said there

was good European demand

from retail accounts and institutions. However, there was a widespread feeling in the mar-

ket that the 10-year sector was

One trader commented:

'Although the EIB is a good

credit, this issue was too tight to clear existing paper." Another remarked: "The pric-

ing was tight but correct, but

the market hackground just

about swap activity underlying

The lead manager confirmed

that \$150 of the \$200m was

swapped into fixed-rate Ecu. with the rest of the issue

Chase worked closely on the deal with Prudential Bache,

and Pru-Bache is thought to

have done an interest rate

swap into floating-rate US dol-

lars while Chase did an off-

The purpose of the currency

5wap was to achieve fixed-rate

remaining unswapped.

market currency swap.

There was much speculation

attracted by the yield.

looking saturated.

wasn't stable.

the deal.

29	ENG	MAR		VER	4 145 S-17		Week	Month
		Coupon	Red	Price	Change	Yield	200	ago
IK GILTS		13,500	9/92	109-22	-1/32	10.21	10.36	10.74
		9.750	1/98	100-16	-2/32	9.68	9.77	10.31
		9.000	10/08	150-24	-7/32	8.92	9.02	9.26
IS TREA	SURY .	8.875	11/96	98-27	-13/32	9.05	6.93	9.21
		9.000	11/18	101-01	-22/32	8.90	8.62	9.04
IAPAN	No 111	4.800	6/98	98.2323	+0,440	4.58	4.90	4.74
	No 2	5.700	3/07	108.7207	+0.732	4.80	4.79	4.74
SERMAN	Ÿ	6.375	11/98	97.3000	-0.060	8.78	6.78	6.67
RANCE	BTAN	8.000	1/94	96,2631	+8.038	8.95	8.86	8.49
	CAT	9.500	5/98	104.0500	-0.050	8.83	8.74	8.53
CANADA	•	10.250	12/98	101.0000	-0.625	10.08	10.04	10.33
VETHERL	ANDS	6.7500	10/98	99.0750	-	6.06	8.91	8.78

makes bond positions expensive to fund - involving a so-called negative cost of carry.

Ecu exposure as an alternative

to the straight Ecu bond issue which EIB is known to have

wanted to do for soma

At current rates, the hor-

rower is likely to have

achieved a useful funding rate.

In particular, the interest rate swap should bave achieved

floating-\$-Liber minus 30 basis

points. The lead manager denied talk that part of the issue had been swapped into

Elsewhere, Eurobond bouses took note of an unexpected SKr500m issue by the Nordic

Investment Bank, the second

such deal approved by the Swedish central bank ahead of

this year's scheduled foreign

exchange liberalisation. The previous deal was by the World

The five-year bonds carry a

10 per cent coupon and were priced at 101% by the joint lead

managers, Svenska Interna-

tional and Svenska Handels-

banken. The deal's reception was said to bave been very

favourable, particularly among

German institutional investors.

Bank in October last year.

D-Mark.

Bot the break-even analysis is interest rate structure is forearound the corner, so the brave

EIB £200m issue makes sluggish start following setback on Wall Street

per cent.

suitable in the current environmant. One is the "barbell" switch, which entails moving out of medium-term maturities and into a combination of short- and long-term bonds. The trick is to keep the dura-tion risk constant, that is the same effective yield curve exposure. The investor locks in high short-term yields, but if the curve inverts further the long stock will outperform the medium-tarm paper he held

previously.

The UK has one of the most steeply sloped curves, tha result of continuous base rate hikes since last May combined with the Bank of England's huying in of long stock.

Indeed, the curve is the most invarted it has been for 18 ears. Many economists think t may flatten in the second half of the year when signs of slower economic growth leave room for rate cuts.

The French curve inverted last week, when three-year

A recent study by Paribas rates rose above 10-year bonds, outlines the type of strategies marking a strong contrast with marking a strong contrast with a year ago when it was

strongly positive.
The stability of French inflation has helped the long end, unlike in Germany where infla tion is creeping up. At present, two-year BTANs yield ground 8.96 per cent, and the new 30year bond auctioned for the first time in January yields about 8.95 per cent. But Germany too, some

observers believe, may be in for an inverted yield curve. Call money is currently around 6.00 per cent, with 10-year yields at 6.73 per cent. A half-point rise in the emergency funding Lombard rate would mean the curve was very flat. In Japan the last inverted yield curve was early in 1987 when funds poured out of US

Treasuries into Japanese government bonds on currency

Recently the authorities have been remarkably unflappahla in terms of resisting pressure to move rates up, and the discount rate has held sta-ble since October. But there is a limit to how long they will hold out.

IN THE markets yesterday, a stronger than expected German trade surplus for 1988 at DM128bn - knocked a plen-nig off the dollar and helped both the French and German

markets along.
Some selling of Dutch guilder bonds was prompted by speculation over the future spread relationship between German and Dutch bonds now that the European Commission is looking to impose a uniform withholding tax. The spread has been volatile since Germany imposed a 10 new contract. many imposed a 10 per cent withholding tax. The UK bond market was

mainly intsrested in the release of the Bank of England quartarly bulletin yesterday evening. The henchmark closed 4 point down on Wednesday at 1184.

#### **CBOT** reprieve for dual trading

By Deborah Hargreaves in Chicago

IN A REVIEW of its trading procedures, the Chicago Board of Trade has decided to tighten its surveillance on the floor of the futures exchange but not to ban the controversial prac-tice of dual trading, whereby brokers trade for their own accounts as well as filling cus-

tomer orders.
The CBOT's examination of trading practices has been prompted by the massive FBI fraud probe into Chicago's markets, where undercover agents targeted multi-million dollar trading abuses.

Although the practice of dual trading in the futures industry has received barsh criticism in recent years and looked likely to become the first casualty of the FBI inves-tigation, CBOT directors have held back from banning the 100-year-old tradition.

The decision was greeted

The decision was greeted with relief by traders who rely on trading for themselves when customer orders dry up. However, in a policy reversal that has mystified some traders, the CBOT has said it would look at electronic trading of the house. ing after hours.

The exchange which, until news of the FBI probe broke, was a vehement opponent of screen trading, was due to present its ideas at a meeting late yesterday.

The CBOT has previously lambasted the Glubex electronic trading system under development by the rival Chi-cago Mercantile Exchange, which is why news of its own move towards a screen comes

as such a surprise.

The CBOT said Globex would lack liquidity and be open to manipulation and trading abuse. In moving towards screen

trading, however, the CBOT is not likely to swallow its pride and apply to join Ginbex, in spite of the wishes of some of Many of the exchange's

mamhers believe the CBOT will apply to join a rival electronic system, such as that being developed by the Londoo International Financial Futures Exchange or the system ploneered by Telerate, the US information group.

## 12.000 7/98 90.7472 +0.179 13.68 13.45 12.65 denotes New York morning session Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

ket's inflationary fears recede, and this hrings yields down.
An inverted yield curve

finely halanced hecause the

Wednesday's issue in Swit-

finance company, was trading yesterday at issoe price plus ¼ hid. The SFr75m seven-year deal was launched with a 5½

per cent coupon, and was said

to have been generously priced hy the lead manager, Crédit

J.P. Morgan was the lead manager of an Ecu75m deal for

Interfinance Credit National

which carried a generous 8%

per cent coupon and a current

yield of 8.53 per cent. Despite the sticky state of the Ecu mar-

ket, there was interest in the

coupon. Tha bonds were quoted at less 1.93 bid, outside

A spokesman for the bor-rower confirmed that the issue

proceeds bad been swapped

into floating-rate Ecu to

achieve a funding rate equivalent to 25 basis points below

Tha issue was designed to

fees of 1% per cent.

and the bonds were trading at less 1.70 bid, inside fees of 1% of Ecu credit at an estimated saving of between 45 and 50

basis points.

Two As-denominated Eurozerland hy Kommuninvest I Orebro Laen, the Swedish bond issues had a slow recep-

manager for a A\$100m five-year deal for the Kingdom of Sweden, while NatWest Capital Markets launched a A\$75m one-year hond for Unilever

Capital Corp which carried a Hambros Bank was the lead 16% per cent coupon and was aimed at Continental demand: Both issues were trading on fees, with traders questioning the timing of the deals.

Amount re.	Сокроп %	Price .	Meterity	Food	Book runner -
200 100 - 82	91 <sub>2</sub> .101 <sub>8</sub> (83 <sub>4</sub> -7)	1015g 102 100 ·	1909 1999 2004	2/114 2/114 2/112	Chase Investment Bank Banque Paribas Cap Mids Morgan Stanley Int.
100 75	16 10¾	102 101%	1994 1990	2/14 1/5	Hambros Bank Nativest Capital Markets
. 75	. 8,5	10174	1994	13/14	J.P. Morgan Secs.
75	1034	1015	1994	1%/14	Samuel Montagu & Co.
· 600	. 10	· 101%	. 1994	13/14	Svenska International .
(b)	(512)	(100)	1994	n/a	S.G. Warburg Sodific
150	72	100	1994	n/a	SEC
10bn	4%	1015s .	1993	15/11	Dalwa Europe
	. 200 100 - 82 100 75 . 75 . 75 . 600 (b)	200 9 <sup>1</sup> 2 100 10 <sup>1</sup> 8 -82 (8 <sup>2</sup> 4-7) 100 15 75 10 <sup>2</sup> 4 75 8 <sup>1</sup> 2 75 10 <sup>2</sup> 4 500 10 (b) (5 <sup>1</sup> 2) 150 <sup>1</sup> 2	200 9 <sup>3</sup> 2 101 <sup>5</sup> 2 102 100 100 100 100 100 100 100 100 10	200 91 <sub>2</sub> 1015 <sub>2</sub> 1999 100 101 <sub>8</sub> 102 1999 -82 (834-7) 100 2004  100 15 102 1994 75 1034 10134 1994  75 1034 10134 1994  75 1034 10134 1994  (b) (51 <sub>2</sub> ) (100) 1994 150 1 <sub>2</sub> 100 1964	200 9½ 1015g 1999 2/1½ 100 101g 102 1999 2/1½ 122 1999 2/1½ 102 1999 2/1½ 122 1999 2/1½ 122 1999 2/1½ 122 1999 2/1½ 122 1999 2/1½ 122 1999 1/5g 101½ 101½ 1990 1/5g 101½ 1990 1/5g 101½ 1999 1/5g 101½ 1999 1/5g 101½ 1994 1½/1½ 1999 101½ 101½ 1994 1½/1¼ 1999 101½ 101½ 1994 1½/1¼ 1999 101½ 101½ 1994 1½/1¼ 1999 101½ 101½ 1999 102/1½

## FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	<b>EQUITY GROUPS</b>	·	Thursd	ay Feb	ruary 9	1989	9	V/ed Feb	Tue Feb	Mon Feb	Year ago (appro
	& SUB-SECTIONS			Est.	Gross	Est		Ť		Ť	1
FI	gures in parentheses show number of stocks per section	Index No.	Day's Change	Earnings Yield% (Max.)	Oiv. Yield% (Act at (25%)	P/E Ratio (Net)	nd adj. 1989 to date	Index No.	index No.	Index No.	No.
1	CAPITAL 60005 (208)		-0.4	10.14	3.86	12.08	1.09	927.13	916.21	903.55	719.4
2	Auilding Materials (28)	1150.71	-0.1	11.97	3.96	11.11	9.26			1126.00	954.4
3	Contracting, Construction (39)	1696.29	-0.2	11.68	3.66	11.16	9.80		1684.18	1677.48	
4	Electricals (10)	2686.68	+0.3	8.06	4.26	14.97	9.00	2673.16		2628.61	
5	Electronics (30)	2071.86	-0.7	9.05	3.16	14.30	7.19	2866.34	2063.78		
6	Mechanical Engineering (551	492.40	-0.4	9.68	3.62	12.58	0.12	494.56		481.59	374.
8	Metals and Metal Forming (7)	522.39	-4.2	14.69	5.64	7.70	0.00		521.19	514.29	428.4
ς	Motors (17) Other industrial Materials (22)	315.73	-0.6	10.36	4.19	11.20	0.08	317.73		305.92	270.
10	Other Industrial Materials (22)	1563.68	-0.5	8.62	4.03	13.45	3.46	1571.74		1521.18	
21	CONSUMER GROUP (186)	1194.92	-0.7	8.71	3.52	14.39	0.87	1203.17	1193.10		
22	8rewers and Oistillers (22)	1292.10	-0.4	9.86	3.44	12.67	0.00			1278.92	
25	Food Manufacturing (21). Food Retailing (15). Health and Household (13) Leisure (33). Packaging & Paper (17).	1061.79	-0.7	8.63	3.62	14.56		1069.86		1050.70	822.
26	Food Retailing (151	2075.63	-1.2	8.74	3.38	15.06	4.84		2989.67	2573.60	
27	Health and Household (13)	2168.03	-1.3	6.21	2.51	18.46	0.20		2158.10		
29	Leisure (33)	1587.52	+0.6	7.64	3.29	16.56			1565.32		
31	Packaging & Paper (17)	603.80	-0.6	9.24	3.79	13.46	0.53		601.37	594.47	493.
52	Publishing & Printing (18)	3465.14	-1.3	8.23	4.07	15.23	3.38		3874.14		3344.
34	5tores (331	804.78	-0.2	10.57	4.29	12.45	4.32			780.92	795.
35	Textiles (14)	522.76	-1.9	13.32	5.45	8.99	0.09	533.02		525.09	554.
40	OTHER GROUPS (93)	1056.49	-0.7	10.01	4.89	12.20	0.12	1963.77	1051.75		864.
41	Agencies (18J	1223.88	-0.8	8.58	2.60	14.69	6.00		1232.05		
42	Chemicals (22) Conglomerates (12)	1226.80	-0.7	10.44	4.30	11.53	0.23			1194.92	
43 45			+0.2	10.39	4.88	11.11	6.66	1485.35	1458.13	1436.25	1156.
45 47	5hipping and Transport (12)	2314.61		8.59	3.60	15.22	0.05		2295.97	2258.28	
	Miscellaneous (27)		-1.1 -0.9	10.63	4.25 3.72	12.23	0.00	1117.23		1109.81	949.
	INOUSTRIAL GROUP (487)		-0.9	9.67	3.77	11.76			1100.18	1428.43	
	Cil & Gas (13)		<del>-0.5</del> -0.7	9,46		13.05					994.
				9.55	5.75	13.40		1944.66		1926.18	
	500 5HARE INOEX (500)	21/5.23	<u>-0.6</u>	9.47	4.03	13.10			1171.62		977.
51	FIHANCIAL GROUP (126)	767.99	-1.1		4.65	~	0.28	776.56	761.68	754.72	639.
62	8anks 181	174.33	-1.8	18.50	5.63	7.25	0.08	788.44	760.26	751.60	
55 56	Insurance (Life) (8)		-2.8		5.06	-	0.00	1986.92	1079.41	1864.64	691.
	Insurance (Composite) (7)		-0.6	- 1	5.14	15.28	0.08	611.64	698.28	600.46	494
6 / 6 / 8	Merchant Banks (111	227.45	-0.1	8.18	6.07	15.28	0.00		1053.34	1840.12	286.
69 69	Property (53)	1226 29	-0.3 -0.7	5.45	4.25 2.53	23.38	6.00	353.50 1339.17	350.39. 1318.40	349_31 1314_33	337.
70		196 17	-0.7	8.94	5.17	13.96	1.12		386.67	383.92	1811.
_	Investment Town (74)	370.1/									375.
71 81	Investment Trusts (76)		-0.2		2.82		0.67	1085.53	1071.31	1063.31	838.
91	Mining Finance (2)	1/27 10	+0.2	9.81	3.88	12.37	0.60	676.82	671.05	665.76	494.
			+1.2	8.70	4.65	15.33		1419.54	1574.33		1068.
77	ALL-SHAKE (MUEX (/12)	1975.88	-0.6		4.00	-		1982.64	1978.79	1056.93	887.
		Index	Day's	Day's	Day's	Feb	Feb	Feb	Feb	Feb	Year
		No. 2079.1	Change	High (2)	Low (b)	8	7 2072.8	6	3	2	930

	FIX.	ED I	NTE	REST	Γ		AVERAGE GROSS REDEMPTION YIELDS	Thu Feb	Wed Feb 8	Year ago (approx.)	
	PRICE INDICES	Thu Feb 9	Day's change %	Wed Feb 8	xd adj. today	xd adj. 1989 to date	1 2	British Government Low 5 years	8.88 8.77 8.74	8.95 8.78 8.74	9.06 9.41
4	5-15 years Over 15 years	119.71 137.69 152.17 175.47	~0.07 ~0.0 <del>9</del> +0.23	119.72 137.79 152.31 175.06	•	1.26 1.52 0.25 0.00 1.29	4 5 6 7 8 9 10	25 years.  Medium 5 years.  Coupons 15 years.  25 years.  High 6 years.  Coepons 15 years.  25 years.  Irredeemables.  7	9.98 9.23 8.89 10.14 9.43 9.05 8.75	9.96 9.21 8.89 10.13 9.41 9.04 8.76	9.31 9.63 9.63 9.46 9.72 9.78 9.49 9.40
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LONDON MARKET STATISTICS RISES AND FALLS YESTERDAY

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**LONDON RECENT ISSUES** 

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TRADITIONAL OPTIONS

First Dealings	Feb 6
Last Dealings	Feb 17
Last Declarations	May 18
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For rate Indications see London Share Service	end of
Calle in Disease Statement	

way, Reed, Megnet, Horfolk Cap, Eurotunnel Wrnts, INOCO, Marks & Spencer, Deres Est, Storehouse, Gestelner, Beacon Grp, N Kaigs, GEC, Ashley Grp, Quotient, Local London, NFC, Pleasay. Puts: Church (Charles). P/C Eur-

#### LONDON TRADED OPTIONS

late run on the London fraded est level by recent standards, at options market yesterday, but was still pipped to the post in tha turnover atakes by Trustnotias Forte, which goes au-dividend to the tune of 8.640 on Monday.

The closing of the Stock Exchange account today, leaving yesterday the last day of the week yearday are has day or are ween to exercise options, made for heavy arbitrage trading, with the existence of warrants on stock playing e part. Early reports

220 28 34 42 4 240 14 21 28 10 260 6½ 12 19 23

B.P. (\*275 )

suggested that there now substantiel axercising of contracts d that there had been

Overall turnover came to 44,037 contracts, lying in 32,573 calls and 11,484 puts. Trading in the

est level by recent standards, at 6,291 contracts, consisting of 4,190 calls and 2,101 puts. The index itself lost 17.1 points on the day to 2,079.1, with futures deal-ings in it on the London Interna-tional Financial Futures Exchange offering e modest upward pull. Dealings in Trusthouse Forteto-

calls and only 265 puts, with the March 260 and 280 calls attracting turnover of 1,220 contracts and 1,519, respectively, in net terms representing closing of interest.

British Petroleum found turn-

unmoved on balance, at 275p, and there was little net change in open interest on either the call the put side. Some ehitting of positions was seen on each side, however, with 860 contracts in the April 240 casts and 674 in the April 260s leading to e cut in the number of exerciseable contracts on the first hand, and an opening on the second. There were 1,110 contracts traded in the April 260 puts, giving some fell in open interest, but other series, including the April 240s more than com-pensated for this. Other active options stocks included British Gas, TSB and Thorn, as well as over of 2,616 call contracts and Gas, TSB and Thorn, as 2,233 put, in a total of 4,839. The British Steel and Dixons.

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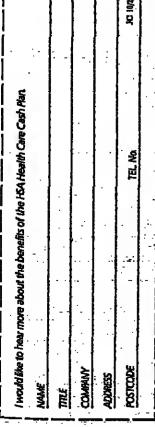
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CASH PLAN



#### **UK COMPANY NEWS**

John Elliott again rules out full bid for the UK company and reaffirms S&N interest | P&S Newspapers

## MB launches new attack on Elders' tactics

By Maggle Urry in London and Gordon Cramb in Melbourne

MB GROUP last night launched a stinging attack on the tactics of Elders Investments, a 5.7 per cent shareholder in the British company which is currently merging Metalbox Packaging, its packaging activities, with Carnaud, a French packaging group.

Mr Brian Smith, MB chairman, has written to shareholders saying that Elders had failed to come up with any proposals which could be put to shareholders during three meetings between the two

meetings between the two

Countering suggestions from Elders IXI., the Australian brewing-based multinational, brewing-based multinational, that it would lead a consortium to make a cash bid for Metalbox Packaging of not less than 1780m, Mr Smith said the company was not for sale.

Yesterday in Melbourne however, Mr John Elliott, chairman of Elders IXI, onashed renewed suggestions

quashed renewed suggestions that it might move to a full hid for MB Group. He said at a hriefing: "We are not trying to build a core business in pack-

However Eiders has said it did not believe the merger of Metalbox Packaging with Car-naud was in the best interests of MB shareholders and last week it forced the adjournment cleared by the European Com-

MB GROUP last night of a meeting of MB warrant-launched a stinging attack on holders held to consider changes to the warrants necessary as a result of the merger. Last Tuesday MB removed the requirement for warrant-

holders to approve the changes to the warrants. (Elders has 25.1 per cent of the warrants which if exercised would repre-sent 1.2 per cent of MB shares.) This gave rise to further speculation that the change would free Mr Elliott from his earlier indication that he would not launch a hostile offer for MB

But he reaffirmed this yesterday, saying Elders did not intend to lead an outright bid. "All we wanted to see was a better deal . . I don't think it is our objective to be antago-Mr Elliott indicated that the

prime Elders' objective in the UK at present was to secure the takeover of Scottish &

Newcastle Breweries, where its £1.60n contested bid is under scrutiny by the Monopolies and Mergers Commission.

Mr Smith said the MB board would only consider an offer for Metalbox Packaging if it was: "extraordinarily gener-ous". He said Elders had not understood the merger plan with Carnaud which had been



John Elilott: All we wanted to see was a better deal . . . I don't think it is our objective to be antagonistic

mission and the UK tax authorities. He emphasised that MB would retain joint control of CMB Packaging, the merged company, through its 25.5 per cent stake.

"Without joint control, we

would never have proposed the merger to you [the sharehold-ers]," he stressed. He urged them to vote in favour of the merger at the special meeting on February 24.
Turning to the situation

with S&N. Elders said that if the bid were blocked, it would look for other alternatives. which in the beer husiness would depend in part on a concurrent inquiry which the MMC is conducting. This examines the tie between brewers and the products supplied to the public houses they own. The outcome of both inquiries is expected in the next few

A report by stockbroker ANZ

drawn that a bid for all or part of MB was thus made more likely, MB shares were down 3p in London yesterday to 291p. Next Tuesday Elders is due to report its results for the six months to December. These are expected to show a sharp slowing of growth from the same period of 1987, when net profits rose 83 per cent to A\$272.1m (£138.28m).

Mr Terry Povey, of ANZ McCaughan, said in London yesterday that he forecast an interim outcome of A\$315m, up

McCanghan Securities has suggested that, in order to stem an erosion of export earnings by the strengthening Australian dollar, Elders might attempt to make a big scquisition before its June year-end. With the conclusion being

## rises to £4.6m and upgrades forecast

PORTSMOUTH & Sunderland Newspapers continued its trend of profit growth with the announcement yesterday of a 33 per cent increase in pre-tax profits from £3.5m to £4.64m for the 39 weeks to December 31.

Turnover increased to £52.9m compared with £46.2m and earnings per share to 23.7p, compared with 17.6p, a rise of 35 per cent.

The company is now expected to produce pre-tax profits for the full year in the £5.5m to

£5.7m range. In the past few weeks P&S In the past few weeks P&S shares have risen dramatically following the very public purchase of a little more than 5 per cent of the group's shares by Mr David Sullivan, publisher of the Sunday Sport. The stake was then re-sold at a profit within days to Lord Rothermere's Associated Newspapers group.

papers group.
Yesterday's results and the claim by Mr Sullivan that the provincial newspaper group

was undervalued is likely to encourage P&S to look more energetically for acquisitions. Sir Richard Storey, chairman, who controls 18 per ceot of the company, said yester-day: "We are looking for acquisitions. We have been for some

He warned however that the company would not pay "silly multiples" for publishing purchases. Another possible area of growth is the provision of additional services for the

readers of the company's regional oewspapers. The company attributed the cootinued growth to improved editorial content, continued development of free newspa-pers and the expansion of cootract printing which culminated in a three year contract to print 250,000 copies a day of The Independent at Ports-mouth compared with the preseot 120,000.

The shares closed at 340p, down 3p on the day after being

## Ward Holdings up 12% to 'satisfactory' £14.44m

October.

ford, saw its pre-tax profits rise by 12 per cent to £1444m in the Essex.

year to end-October 1988... Mr Dennis Ward, chairman, said the outcome, scored on turnover of £59,74m (£48.33m), was satisfactory given that it was not company practice to chase volume at the expense of

The year saw intense plan-ning permission difficulties in Kent. However, Mr Ward said during the period the company had been able to acquire a sub-

WARD HOLDINGS, the stantial number of options and Kentish housebuilding and conditional contracts on land, property group with plans to and so had accrued benefits for build a new village near Ash the future. It has now extended its housebuilding activity to

> The outcome of the applica-tion, announced last May, to build Bishops Forstal, a new settlement near Ashford is not expected to emerge until next year. The matter is expected to reach ministerial level. Ward wants to build accommodation

HEALTH CARE

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Denis Cody

on 01-248 8000 ext 3301

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Friday 14th April 1989

On its property investment side, Ward has recently entered into an agreement with supermarket group Tesco to lease a new 260,000 sq ft distribution headquarters at Snodland in Kent, which is currently being constructed. The property portfolio was valat £40.42m last

Property provided £779,000 (£980,000) to group profits, after

charging the full interest cost in respect of a fam development loan. House construction, reflecting last year's price surge, gave £13m

Industrial interests, comprising plant hire, plastic door and window manufacture, and merchanting, put in £685,000 (£670,000), partly reflecting the

set-up costs of a new conserva tory manufacturing unit. There are hopes these will benefit from the commercial development opportunities arising from the improved communication tions network in Kent.

The final dividend is set at 2.1p, making 2.6p (2.4p) for the year. Earnings per share came out at 18.1p (15.9p).

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#### Half year results to 30 November 1988 £171m up 37% Turnover £31m up 38% Pre-tax profit Earnings per ordinary share 9.9p up 36% Dividend per up 17% ordinary share 1.4p

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## Sketchley bites bullet and sells Equipu photocopier side for £16m

SKETCHLEY, the dry cleaning. group, bas sold Equipu, the photocopier rental business, for £16m, just two years after acquiring the company as part of a strategic move into office services. The purchaser is Eurocopy, the photocopying and facsimile rental group. Mr Malcolm Glenn, Sketchley chairman, said that the company had planned to build up a national network of photocopying rental compenies but found that prices sought for acquisitions in the sector were too demanding. It was thus better, he said, to sell the company and use the capital in other business areas.

He did not see the divestiture as a strategic reverse. "We saw an aree where we feit there was an opportunity" be said. "It proved not to be economic, so we sold it instead of sitting oo it quietly for a few years and boping it would go away". Sketchley had last Sep-tember indicated that it was seeking a buyer for Equipu. Mr Glenn joined Sketchley in 1985 and quickly sold off the

Ladbroke

has 29.9%

groop's US businesses and moved it into new business areas such as vending via the purchase of Breakmate. The purchase of Equipu was seen as a further diversification into a service-related business.

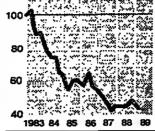
However, the restructuring bas been accompanied by a dis-tinctly sluggish earnings per tinctly sluggisb earnings per share performance over the last few years. Mr Glenn said that the interim figures, which revealed e 15 per cent earnings per share increase, had been

The £16m purchase price is lower than the £20.7m originally paid for Equipu but Sketchley is retaining Mellordata, a computer peripheral distributor, bought by Equipu just before its takeover.

Mellordata mede pre-tax profits of just £231,000 in the year before acquisition but made higher profits than the original Equipo husiness last

Mellordata will form the basis for a new business grouping within Sketchley.

Sketchley Share price relative to FT-Actuaries





The purchase of Equipu will give Eurocopy, which joined the main market last summer, nationwide coverage in photocopier supply. Equipn is strong in the south-west of England and Scotland; Eurocopy is strong in London and the north of England.

Enrocopy made pre-tax profits of £3.4m on turnover of £11.5m in 1988; Equipu made just £1.7m on turnover of £23.8m. Mr Cyril Gay, Eurocopy chairman, said that he ted to improve margins at Equipn, partly through cost reductions and partly though

enhanced buying power.

The consideration for Equipu includes £1.8m for the repayment of inter-company debt and the acquisition is being financed by a vendor placing of

9.03m shares at 100p.

The shares are subject to clawback by existing share-bolders on a 3-for-13 basis but Mr Gay, his family and another director who own 75 per cent of the Eurocopy equity, have undertaken not to to take up the vast majority of their enti-tlements under the clawback

Kurocopy shares closed 5p up at 113p; Sketchley's were unchanged at 463p.

## NHLC planning a restructure

By David Barchard

NATIONAL HOME Loans Corporation plans to establish of T-Line a new group structure under a holding company. The aim of the reorganisation is to enable NHLC to reduce its dependence international leisure group which on Wednesday won epproval from the board of on the mortgage market as its sole source of income and to channel unused capital into Thomson T-Line for Its £185.7m takeover offer, has boosted its holding in the industrial holding company to new businesses.

The largest and most aggressive of the mortgage compa-nies established in the mid-29.9 per cent. Toomson T-Line directors 1980s to compete with the have also agreed to accept the offer for their sbares which building societies, NHLC has represent 11.8 per cent of the capital. Ladbroke's offer of 90p been eager for some time to diversify its business into cash per share closes next Wednesday. other financial services, possi-bly including banking. This is

Parkfield not to bid for

**Hicking Pentecost** 

By Ray Bashford

PARKFIELD CROUP, tha

industrial bolding company,

has given an undertaking not to bid for Hicking Pentecost, the Nottingham-based knit-

wear manufacturer and dyer. Directors of Parkfield yester-

day ruled out an offer while attempting to clarify its posi-

tioo following the purchase

this week of a 15 per cent stake

the first time that one of the

Under the proposed reorgani-sation, NHLC, the existing mortgage company, will become a subsidiary of the new bolding company. Shares held by existing shareholders will be cancelled and identical shares in the holding company will be allotted to those former shareholders. Sbares in National Home Loans Holdings will replace those of NHLC on

the Stock Exchange. The mortgage company will make an upstream loan to its new parent to supply funds for

the capitalisation of subsidiaries. These are likely to include leasing, mortgage servicing, mortgage credit insurance, business mortgages, and assured housing.

The proposals are subject to new mortgage lenders has reor-ganised itself in this way.

approval by NHLC shareholders as well as the company's banks and will require the approval of the High Court. A statement by the company yesterday said that, if approved, the reorganisation would take place in May this year.

The statement said that the UK mortgage market would remain the chief focus of the

#### Profits warning by **Associated Paper**

By John Thornhill

in Hicking Pentecost "Parkfield does not seek board representation and has no intention of entering the textiles industry or of making a bid for Hicking Pentecost,"

directors said.
The holding represented less than 1 per cent of Parkfield's shareholders' funds and "may be of short-term duration".

ASSOCIATED Paper Industries yesterday warned that it was currently showing lower prof-

its than at the same stage last Mr Charles Rawlinson, chairman, expressed cautioo in December about the sbort-term outlook and yesterday he said that this had proved to be well

He added that the company was concentrating on reducing costs and improving productiv-ity to meet the challenges of

the market. In the six months to April 2 last year, the group made pre-tax profits of £3.25m. Last December, analysts

were forecasting profits of around £8m for the year.

#### COMPANY NEWS IN BRIEF

ASSOCIATED BRITISH Engineering bas acquired, through a subsidiary, the stock, work in progress and certain other assets of Haydn Davies Catering Equipment (1988), which is in liquidation.Consideration is £122,000. DINKIE HEEL: when its rights closed on February 3, 1.87m of the issue (79.7 per cent) had been subscribed by sharehold-

ers. The balance has been sold in the market for a 1p premium with the proceeds to be distributed to non-subscribing shareholders in due course. ELECO HOLDINGS is to acquire two private companies,

D Sharp and Son (Transport) and Carlecotes Distribution for an initial consideration of £2.9m - £1m in cash and the rest in loan notes. Further pay-

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and personal telephone numbers.

and Phillips and Drew Ltd.

depends on profits. At August 31 1988, the combined assets of the two companies were £1.3m. MID WYND International Investment Trust: Net asset value was 220.9p per share at December 31 1988 (229.4p at June 30 1988). After-tax revenue for half year £83,686 (£51,258) and earnings per share 1.67p (1.02p). Interim dividend 1.55p

(1.3p).
MIL RESEARCH Group has acquired Bulmershe Research for an initial £770,000, satisfie by a cash payment of £308,000 and the balance by the issue of 306,630 ordinary. Bulmershe is a UK-based specialist motor and consumer market research company carrying out surveys in the principal European countries.

#### Mrs Fields still talking to venture

partners

MR RANDALL FIELDS of Mrs Fields, the US cookie manufac-turer and retailer, yesterday turer and retailer, yesterday said plans to open quilets in Continental Europe through a joint venture were still intact despite this week's abandonment of talks with Midial, the French food group.

He said USM-quoted Mrs Fields, the ahares of which were the worst performing on that market last year, was resuming discussions about a

resuming discussions about a similar venture with a number of other parties and was confi-dent that arrangements would be in place within the next six

The arrangement envisaged with Midial would have given the French company 99 per cent ownership of the venture, while Mrs Fleids would have gained \$5m for a product licence payment as a preinde to building up a chain of out-

The plan, announced in December, also involved the sale of Mrs Fields' loss-making UK business to the new joint venture. Mr Fields said yesterday this aspect had not marked a withdrawal from the UK but had been included in response to 1992-related European Company of the property of the p pean Community regulations. His understanding was that these would mean a company granting a licence would no longer be able to offer geographical protection to a licensee within the Commi-

Negotiations with Midial are thought to have broken down over Midial's requirement that Mrs Fields should assume management responsibility for its US stores.

The company, the market value of which tumbled by some 75 per cent in the course of last year, sustained a \$15m loss in the six months to end-June, against a \$7m profit. The figure was struck after excep-tional items of \$15.4m for the

tional items of \$15.4m for the closure of 120 stores.

Mrs Fields is hoping its new strategy of setting up "bakery cafes", as opposed to the old cookie bars, will revive its fortunes. The plan with Midial had involved the opening of such patisserie-style outlets.

#### Randsworth stake

Randsworth Trust, the property investment and development company, yester-day announced that it had received notification that Reinhold, the Swedish property company, and various associated companies had bought 10 per cent of its

#### **NEI** acquisition

Northern Engineering Industries, the electrical, elec-tronic and mechanical equip-ment manufacturer, has purchased Merseyslde-based Eagle Electrical Services from the receiver as a going concern for £135,000.

### **DIVIDENDS ANNOUNCED**

Apr 28	1.2		
		-	4.3
Apr 8	0.532	-	1.75
Apr 3	-	0.225	-
	1.3	-	3.2
-	0.44		1.34
May 31	5.3	8.5	8
Apr 28	1.6	2	1.6
'	1.9	2.6	24
		May 31 5.3 Apr 28 1.6	May 31 5.3 8.5 Apr 28 1.6 2

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue, †On capital increased by rights and/or acquisition issues. §USM stock. §SUnquoted stock. •Third

## Buoyant Bryant up 38% but warns of lower second half

By Clare Pearson

LAST YEAR'S buoyant housing market was reflected in a 38 per cent rise in pre-tax profits to £31.1m for Bryant Group for the six months to November 30. However the Midlands-based housebuilding and construction company warned that current more diffi cult market conditions would mean a lower second-half result.

Nevertheless, Mr Chris Bryant, chairman, said he had Bryant, chairman, said he had every confidence in a satisfactory outcome for the full year. He said the company's quality products, wide geographical spread and strong land bank at low historical cost put it in a good position to deal with the problems associated with higher UK interest rates.

Operating profit for the first half stood at £31.1m (£22.1m) and margins are expected to be similar in the full-year. Earn-ings per share rose to 9.9p (7.3p) and the interim dividend is increased to 1.4p (1.2p).

Mr Bryant said expected completions for the full year to amount to about 2,000, slightly down on the 2,150 in 1987/8. During the first half 1,150 houses were sold. Prices, which miraled to an average which spiralled to an average of £108,000 in the first half from £75,000 in the comparable period, had on average not moved since last September, the company said.

**Bryant Group** 



up from 7,500 at the end of May 1988, and this is expected to be broadly maintained at the year-end. The company, which stepped up purchases in the first half, was continuing to

buy selectively.

More land-hnying activity
was reflected in a rise in gearing to 30 per cent against 12 per cent at the last year-end. Interest charges rose to £1.7m 2100,000). pany is deservedly well-re-Bryant's other activities, garded.

property and construction made a maintained, "adequate" profit contribution. To turnover of £170.9m (£124.2m), they pitched in £14.5m (£12.2m) and 538.6m (£33.5m) respectively. The company aims to re-em-phasise its warehousing activi-

These figures did not contain a contribution from the Pavil ions retail development in Birmingham, from which there is still some 25.5m in profits to

**COMMENT** 

Like other househulders, Bryant is currently offering incentives such as reimbursements of fees, worth up to around £3,500, to encourage home buyers.

Bryant's directly-owned land bank now stands at \$,100 plots, up from 7,600 at the end of May that it once, a full two years ago, wanted to take Bryant ago, wanted to take hyant over. Imagine if those shares were placed. Nevertheless, Bryant boasts a land bank stretching out till 1994, it is not highly geared, and it has some hefty unutilised profits up its sleeve. Assuming nothing from the Pavilions, it should coast to 255m pre-tax this year and it is hard to imagine a dramatic downturn thereafter: the com-

#### WORLD TEXTILES

The Financial Times proposes to publish a Survey on the above on

Wednesday, 22nd March, 1989

For a full editorial synopsis and advertisement details, please contact:

#### BRIAN HERON or PHILIP DODSON

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**FINANCIAL TIMES** 

#### NORTH EAST LANCASHIRE

The Financial Times proposes to publish a Survey on the above on

Friday 31st March, 1989

For a full editorial synopsis and advertisement details, please contact:

#### PHILIP DODSON

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**FINANCIAL TIMES** 

#### **BOARD MEETINGS**

TODAY	
Interior- Second Alliance Trust.	
Finals- Anglo & Oversean Trust,	Contractor
Rintoul Inv Trust, Investment Trust	
sey, Manchester Ship Canal, Stainle	or Guerri
CARD.	ad Marsi-
FUTURE DATES	
Tolona Dales	
Parameter C. M.	
Bergeeen D-Y	Feb. 16
Bowthorpe	Mar. 21
Periodale	Feb. 16
Radius	Mar. 7
Street Engineering	

NOTICE TO HOLDERS OF Warrants to Subscribe for Shares of Common Stock of

MATSUSHITA ELECTRIC industrial co., Ltd. Issued in Conjunction with U.S. \$100,000,000 2% per cent. Bonds 1992

Notice is hereby given that, as a result of the issuance of additional shares by free share distribution to shareholders of record as of 31st March, 1989 (Japan Time), the subscription price of the warrants will be adjusted pursuant to clauses 3 and 4 of the Instrument relating to the Warrants dated 30th March. relating to the Warrants da 1987 as follows:

ment: Yen 1,804,30 per share of common stock. justment: Yen 1,718.40 per share of common stock.

 Effective date of the adjustment: Ist April, 1969 (Japan Time). MATSUSHI'A ELECTRIC REDUSTRUL CO., LTD. By: The Bank of Tokyo Trust Company on Disburrement Apent



porated and te-registered in England under the Companies Acts 1948–1980. No. 689729 Issue by way of placing of

£150,000,000

934 per cent. Debenture Stock 2019 at £98.477 per cent.

Application has been made to the Council of The International Stock Exchange for the whole of the above Stock to be admitted to the Official List. Listing Particulars in relation to the Stock will be circulated in

the statistical services of Extel Financial Limited. Copies may be obtained, during normal business hours on any weekday, from the Company Announcements Office of The International Stock Exchange up to and including 14th February, 1989, and up to and including 24th February, 1989 from:

> Allied-Lyons PLC Allied House 156 St. John Street London ECIP LAR

Baring Brothers & Co., Limited 8 Bishopsgate London EC2N 4AE

Notice to the Holders of Warrants to Subscribe for Shares of Common Stock of

Yakult Honsha Co., Ltd. Issued in Conjunction with Issue by

Yakult Honsha Co., Ltd. U.S. \$50,000,000 2%% Guaranteed Bonds due 1991 (the "No. 1 Warrant")

U.S. \$80,000,000 1%% Guaranteed Bonds due 1992 (the "No. 2 Warrant")

Pursuant to Clauses 4(A) and (B) of the Instruments dated (1) 5th August, 1986 and (2) 23rd June, 1987 under which the No. 1 Warrants and No. 2 Warrants were issued respectively. NOTICE IS HEREBY GIVEN AS FOLLOWS:

1. At the meeting of the Board of Directors of Yakniz Housha Co., Ltd. (the "Company"), beld on 24th January, 1989 the Company resolved to make a free distribution of shares of its common stock (par value Y50 per share) at a ratio of 0.1 new shares for each share held to the shareholders on record at 17:00 hours of 31st

2. As a result of such free share distribution by the Company, the Subscription Prices of the No. 1 Warrant and No. 2 Warrant shall be adjusted pursuant to Condition 7 of the respective Terms and Conditions of the Warrants from Y3,331.00 per share of country stock to Y3,019.10 for No. 1 Warrant and from Y3,616.90 to Y3,288.10 for No. 2 Warrant, effective 1st April, 1989.

YAKULT HONSHA CO., LTD. By: The Daiwa Bank, Limited,

Principal Paying Agent

Cazenove & Co. 12 Tokenhouse Yard London EC2R 7AN Dated: 10th February, 1989 10th February, 1989

13th February 1989

20th February 1989

27th February 1989

13th March 1989

13th March 1989

UBS Phillips & Drew

## 1988: Ayear of achievement.

1988 was another year of record achievement for the Corporate Advisory Division of County NatWest.

We were involved in 102 deals, worth over £10 billion. Many caught the public eye including Beazer's \$1.7 billion bid for Koppers, Nestlé's £2.6 billion bid for Rowntree, and Elders' £1.6 billion bid for Scottish & Newcastle Breweries.

More than half our business, some £6.5 billion worth, consisted of cross-border transactions.

Our activities during 1988 included:

#### - JANUARY-

MS International: Successful defence against the unwelcome \$33 million bid from Dobson Park.

Edinburgh American Assets Trust: Reconstruction of investment trust.

#### -FEBRUARY

The Henderson Group: \$85 million recommended offer from Hepworth Ceramic.

Share Drug Stores: £32 million recommended offer from Woolworth Holdings.

#### -MARCH

Beazer: \$1.7 billion cash tender offer for Koppers by BNS, an affiliate of Beazer.

Vosper Thornycroft: Flotation on The Stock Exchange.

#### -APRIL-

Nestlé: £2.6 billion bid for Rowntree.

D×01

Ward White: £130 million bid for A.G. Stanley Holdings.

#### -MAY-

Irish Distillers: Successful defence against the unwelcome bids from GC&C Brands and Grand Metropolitan, and IR \$285 million recommended offer from Pernod Ricard.

Japan Assets Trust: Reconstruction of investment trust.

#### JUNE-

Tomkins: \$82 million rights issue and \$224 million acquisition of Murray Ohio.

Saatchi & Saatchi: £176 million rights issue of 63/4% redeemable convertible preference shares.

#### JULY

Harris Queensway: £447 million recommended offer from Lowndes Ventures.

TVS Entertainment: \$336 million acquisition of MTM Entertainment and £50 million open offer of convertible preference shares.

#### AUGUST

McCarthy & Stone: \$20 million placing of cumulative redeemable preference shares.

**NORWEB:** Appointment as advisor on privatisation of the North Western Electricity Board.

#### -SEPTEMBER-

Sandell Perkins: £164 million recommended offer to effect the merger of Sandell Perkins and Travis & Arnold.

Clyde Petroleum: £124 million 3 for 4 rights issue and \$234 million acquisition of the Netherlands interests of Newmont Mining Corp.

#### -OCTOBER-

Elders: £1.6 billion bid for Scottish & Newcastle Breweries.

AMEC: £133 million offer to effect the merger of AMEC and Matthew Hall.

#### -NOVEMBER-

Bergesen: \$135 million bid for Bulk Transport.

Britannia Arrow: \$133 million acquisition of the outstanding 55% interest in Invesco Capital Management.

#### -DECEMBER-

Australian National Industries: £138 million bid for Aurora.

Home Office: Appointment as advisor on certain police technical services.

## COUNTY NATWEST

& The NatWest Investment Bank Group

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## New chairman moves in at troubled Glamar Brierley

By John Thornhill

MR STEPHEN BARKER, the former managing director of Albert Fisher who helped mastermind its expansion from grocer to international food distributor, is to become chairman and chief executive of Glamar Group, the troubled

hosiery supplier.
In a related deal, Glamar announced that it is to raise £2.65m by way of a one-for-one rights issue. Proceeds will be invested in the development of the husiness.

Glamar will issue 5m ne ordinary shares at 55p each. Mr Barker and other unnamed business associates will have a 29.9 per cent interest in the

SHERWOOD, the USM-quoted textiles group formerly known as Debfor, yesterday unveiled an agreed hid for Dentex, an

Amsterdam-listed manufac-turer of lace and allied prod-

The cash offer of Fl 40 for

each Dentex share, values the Dutch company et Fl 42.58m

(£11.6m). Ahead of the offer,

Dentex shares were trading at F1 37.9, having risen - partly on bid speculation - from a

1

Mr Barker started looking for business opportunities in mid-November after having left Albert Fisher. "After five years with the acquisitive Hawley Group (now ADT) and five years with Albert Fisher, I thought the time was right for me to hranch out on my own," he said yesterday.

After reading about Gla-mar's torrid times. Mr Barker approached the company in mid-December and had discus-sions with it over the course of several weeks. Mr John Phillips, Glamar

managing director, yesterday said that the group had been impressed with Mr Barker and his proposals and had sccepted

low of FI 14.2 a year ago.

To fund the deal, Sherwood is issuing 3.14m new shares, which have been underwritten

hy County NatWest Woodmac at 345p. Existing shareholders, however, can claw back the

new shares on a one-for-four

This, together with new ordinary shares to be subscribed for by certain directors, raises

£11.1m. The halance of the total consideration will come his suggestion to inject cash into the business by way of a rights issue and his appointment as chairman and chief executiv

Mr Phillips said that the company had wanted to develop much more quickly and it thought that Mr Bark-er's substantial track record in expanding and acquiring husi-nesses would be a great asset. Glamar intends to spend £1.5m of the proceeds of the rights issue on increasing stock and introducing new product lines including socks and footwear. It will also spend £350,000 on acquiring the free-hold of Cecil House, its prem-

Sherwood takes initial step in European expansion

from existing resources. Yesterday Sherwood, which last Angust augmented its UK

lace-making operations with the film purchase of Floral Textile, said that - having reached a reasonable size in

the UK market — it had been looking for expansion in Europe. Its existing interests

already range from lingerie

and nightwear to apparel lace. Dentex came to the Amster-

dam "parallel market"

The balance will be spent on expansion in the textile, leather and household sundries sectors hy means of organic growth and acquisition. The company said, however, that sions about acquisitions.

Last November, Glamar announced that pre-tax profits had fallen to £30,000 (2514,000) in the six months to September 23 and that Mr Derek Guinness, founder and chairman of the company, had resigned due

to ill health.

The company cited unfore-seen circumstances and problems with the launch of its "classics" range as the reasons for the profits fall.

(roughly equivalent to the USM) in the mid-eighties. However, three Dutch venture capital groups remained major shareholders, accounting for just under 70 per cent of the equity. According to Sherwood, these institutions were known to be looking to exit. They

to be looking to exit. They have given irrevocable under-

The Dntch company was founded in 1956, and now operates five factories — two in the

takings to accept theoffer.



Stephen Barker: "Time to

Netherlands, one in Notting-ham, one in Blomberg, West Germany, and a fifth in Calsis. It also has sales offices in Hong Kong and Brussels. Its sales have grown from Fi 34m in 1984 to Fi 79.9m in 1988,

while pre-tax profits have increased from Fl 152m to Fl

3.88m. There was, however, a hiccup in 1987 - when sales

fell from Fl 72.5m to Fl 68.5m and pre-tax profits from Fl

## has 10.1% of Wm Low

By Nikki Tait

SIR RON Brierley's IEP Securities has continued to build up its interest in William Low, the Scottish supermarket group. Yesterday, it was disclosed that the holding had risen to 10.14 per cent, or

was disclosed that the holding had risen to 10.14 per cent, or 3.97m shares.

Mr Jim Millar, Low's managing director, said that this reflected fairly steady buying by IEP, and that the company had already stated that it wanted to build up a stake.

Representatives from IEP visited Low last summer, although Mr Millar stressed that this was just a usual company visit offered to any institutional shareholder. Since then, he said, there had been no significant communication with IEP.

Low, he added, was "genuinely quite relaxed" about the holding. "Twe got to say we take a fairly fatalistic view. We've been the subject of speculation for so long — it's no use getting worked up."

The Scottish company is one of the few remaining regional supermarket groups. Stakebuilding by New Zealandbased interests first came to light just ahead of the 1957 stock market crash. Yesterday, IEP declined to comment. Low shares were 5p higher at 274p.

## Throgmorton USM Trust reports 13% growth in net assets

THROGMORTON USM Trust, an investment trust specialis-ing in the Unlisted Securities Market, yesterday announced a 13 per cent rise in its net asset value from 187.6p to 155.5p per

value-from 187.5p to 185.5p per share for 1988.

By contrast, the Datastream USM Leaders Index, comprised of the largest 100 companies on the USM, increased by 7.8 per cent in the same period, while the FT-A All Share increased by 6.5 per cent.

The company kept between 5

by 6.5 per cent.

The company kept between 5 per cent and 10 per cent of its fund in cash last year, although it had since reduced its liquidity, said Mr Gary Fitz-Gerald, the trust's manager. He said that he expected to see

USM stocks outperform the main market as the recent buy. ing in major stocks cascaded down into the second and third line stocks.

The dividend is increased by 25 per cent to 2p (1.6p). Mr Fitz-Gerald said that this reflected a 36 per cent increase in the fund's ovarall incoma that stemmed from large increases in dividends. The trust emphasised, however, that its objec-tive of capital growth remained

Earnings per share increased from 2.03p to 2.76p. Total revenue was £1.26m (£1.22m) before expenses and interest of £426,000 (£537,000).

#### Zurich Group says it is unlikely to meet forecast

23.55m for the six months to October 31. But it said it would not meet the £6m nine month profits forecast it made when it joined the USM viz the reverse takeover of Ecobric last year.

The company said it had The company said it had

Baines, the motor dealer, as a trading subsidiary and this meant it would not realise the anticipated £1m profit on disposal, nor would a £1m redevelopment profit be realised in the

from opportunities not fore-seen at the time it joined the

foundry and plastics company, had performed below expecta-tions and made a small loss in the period. Provisions would be needed in the group's annual accounts to reflect losses and restructuring costs.

Zurich said it had received a

number of approaches for parts of Ecobric and was considering disposal or closure of some of A £400,000 contribution from

Lindsay Baines helped boost interim profits from the previous year's first half total of £2.8m. Earnings per share increased from 2.8p to 3.1p. There is no interim dividend

but the directors said it was their present intention to rec-ommend a final dividend of 1p. Znrich shares closed unchanged at 41p.

#### SHARE STAKES

The following changes in share stakes have been announced

Beauford Group - Stewart Ivory and Co has acquired 926,100 7 per cent cumulative redeemable preference shares (8.48 per cent) registered in the names of Scottish American Investment Company. Clinton Cards — A pension fund of which Mr DJ Lewin and Mr CS Lewin, both direc-tors are trustees and beneficia-

tors, are trustees and beneficia-ries has bought 15,000 shares at 165p. Mr DJ Lewin is now interested in 4 62m shares (34.2 per cent) beneficially and 4.75m (35.2 per cent) non-bene-ficially. Mr CS Lewin is benefi-

cially interested in 832,000 (6.2 HM Simpson has acquired 500 shares taking his holding to 157,325 (17.73 per cent). Mr YG Andrews, director, disposed of 50,000 'A' non-voting shares and now holds 456,672 (8.42 per cent) registered as Strand

English China Clays — Sir Ron Brierley, through his IEP Secu-rities, has cut his stake by 0.6 er cent to 4.94 per cent. Frogmore Eatates — Mar-kheath Securities said that Jomet Pty acquired 25,000 shares taking the combined holding to 6m (15.06 per cent). Health Care Services — Lodge Care has cut its holding to 227,500 following the sale of 227,500 following the sale of two blocks of 210,000 and

Nash Industries - Mr DC Newton, director, has raised his beneficial holding to 1.53m shares (17.96 per cent) follow-ing the purchase of 25,000 at 130p and 5,000 at 128p. SD-Scicon – discretionary cli-ents under the management of Morgan Grenfell Investment

Management have increased

their holding to 36.38m shares (18.05 per cent). Sketchley - stake held by discretionary investment portfo-lios managed by Mercury Asset Management has increased by 135,000 shares to 7.25m or

per cent. Smurfit Jefferson — Mr MW Smurfit has increased his holding to 12.85m shares (6.16 per

posed of 3,334 voting shares

Thorpac Group - Mr Peter Underhill, director, has Underhill - 27,750, Rachael Underhill - 27,750 and Susan Underhill - 19,500, taking his holding to 1.74m (7.96 per cent). Town Centre Securities -Junction Nominees holds

lowing the acquisition of 450,000. Willaire Group - South Yorkshire Pensions Authority disposed of 2.2m shares reducing its holding at 6.27m (12.16 per

#### By Philip Coggan ZURICH GROUP, the property, motor dealing and demolition company, yesterday revealed interim pre-tax profits of in year end. Ecobric, the damolition,

decided to retain Lindsay

forecast period. However, Zurich said it had achieved additional revenues

USM. Zurich's next report will be for the nine months to Jan-uary 31 1989 to reflect a change

15.9 2.7 13.4 7.4 3,8 2.0 36.6 2.8 23.2 10.1

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SWIW OBD Tel: 01-828 7233/5699 An AF8D member Reuters Code: IGIN, IGIO

## MB Group plc

Proposed merger of Metalbox Packaging with Carnaud S.A.

The following are key points from a letter to be sent today to shareholders from MB Group Chairman, Dr. Brian Smith:



The merger of two strong European companies into CMB Packaging creates a major world force and ensures that new MB Group and its shareholders participate in its future success.



The Merger has been cleared by the European Commission.



New MB Group will, with CGIP, have joint control of CMB Packaging. Without joint control, we would never have proposed the Merger.



The cash which new MB Group will receive from the Merger will enable it to continue the growth of its two core businesses. We see exciting opportunities for the future.



Elders Investments Limited are attempting, with a contingent interest of 1.2 per cent in existing MB Group's equity through a holding of warrants, to prevent shareholders giving effect to the merger proposals. A new proposal has now been made which is not dependent upon Elders' approval.



A vague approach by Elders and unnamed partners was rejected by your Board. No firm proposals have been made after three meetings with their representatives.



Metalbox Packaging has never been, and is not, for sale. An offer would only have to be considered if it were at such a price as would be seen by the Board and shareholders as extraordinarily generous.



Unless Elders can make firm and realistic proposals now, they should reconsider their stance.



Shareholders are urged to complete and return their forms of proxy.

This advertisement is issued by MB Group plc and has been approved by Baring Brothers & Co., Limited for the purposes of Section 57 of the Financial Services Act 1986. Baring Brothers & Co., Limited is a member of The Securities Association, and is the financial adviser to MB Group pic.

### **DECLARATION OF DIVIDENDS**

UNITED KINGDOM CURRENCY EQUIVALENTS

In accordance with the standard conditions relating to the payment of the dividends declared by the undermentioned companies on 11 January 1989, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of R4.235 South African currency to at United Kingdom currency, this being the first available nets of sechange for remittances between the Republic of South Africa and the United Kingdom on 6 February 1989 as advised by the companies' South African bankers.

benkers. The United Kingdom currency equivalents of the dividends are therefore

Name of Company (All companies are incorporated in the Republic of South Africa) Amount . Gold Fields Property Company Limited (Registration No 01/01078/06) 132 4.72255p New Wits Limited (Registration No 05/04822/06) 3.541913p Vogelstruisbuit Metel Holdings Limited (Registration No 05/04348/08) 6.84770

> By order of the Boards per pro CONSOLIDATED GOLD FIELDS PLC London Secretaries Mrs G M A Glechill, Secretary United Kingdom Registrar: Hill Samuel Registrars Limited 6 Greencost Place LONDON SWIP IPL

London Office: 31 Charles II Street St James's Square LONDON SWTY 4AG 8 February 1989

MEMBERS OF THE GOLD RELDS GROUP

#### Schlumberger

SCHLUMBERGER 1965 EARWINGS New York, New York, February 7 — Schlumberger reported that not income 1968 was 5475 million, \$1.00 per share, compared to \$353 million, \$1.27 per sha earmed in the previous year.

moone to not success comprises: moone from continuing operations of \$454 million, \$1.72 per share, which included \$55 million, \$0.13 per share, from the sale of a division. Extraordinary gain of \$22 million, \$0.08 per share, resulting from an award by the Iran-U.S. Claims Tribunal.

The 1987 net income included:

Income from continuing operations of \$503 million, \$1.51 per share, which included: \$222 million, \$0.90 per share, trong a favourable tox-case settlement and \$50 million, \$1.25 per share gain on the sale of an investment.

Loss from discontinued operations of \$220 million, \$0.79 per share, relating to the Fairchild Semiconductor divestiture.

- Edwardinary gain of \$70 million, \$0.25 per share, resulting from an award by the iran-U.S. Claims Tribunal.

Operating revenue in 1968 was \$4.92 billion an increase of 12% ever the \$4.40 billion of the prior year.

Exan Baird, Chairman, said that 1988 was another year of progress. "All main-businesses of Schlumberger showed improvement over 1987. Merry of the factors, contributing to this growth will continue into 1989, in addition, we expect that the significant downward trend in U.S. drilling during the accord half of 1986 due to concerns about oil and gas prices will be reversed during 1988.

to the fourth quarter, not known was \$119 million, \$0.48 per share, versus \$316 million, \$1.15 per share, in the same quarter of 1987. The fourth quarter income in 1988 included a gain of \$22 million, \$0.00 per share, from an award by the tran-U.S. Clains Tribunal. In 1987, fourth quarter income included \$222 million, \$0.81 per share, gain resulting from a favourable test-case settlement.

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#### **UK COMPANY NEWS**

ScanBank on target with £23.56m

#### Great Southern in £5.82m expansion

By Andrew Hill

GREAT SOUTHERN Group, one of three funeral directors quoted on the Unlisted Securi-ties Market, has bought three more funeral businesses for

E.S. Exm.

The initial payments for the acquisition of funeral directors in south west London, Middle-sex, Surrey and the Isle of Wight will be funded from cash resources and by the funded of 152 persons ordinare. issue of 1.65m new ordinary shares, 1.5m of which will be placed with institutions at 1979 a share, against yester-day's unchanged closing price of 213p. Further payments of £2m will be funded by vendor

placings.
Great Southern said the acquisitions would increase the coverage of the group's pre-arranged funeral scheme, Chosen Heritage. Earlier this week Hodgson Holdings launched a competing scheme, Dignity in Destiny.

TH Sanders & Sons, based in Richmond. Surrey, is being

Richmond, Surrey, is being bought for an initial £2.5m, with a further £2m payable in two instabnents, in August of this year and February 1990. Sanders made £340,000 before tax, on sales of £1.19m, in 1987. Net assets, including revalued freehold properties, stand at £3.49m. It has branches in Ham, East Sheen, Barnes, Roehampton, Twickenham, Whitton and Heston. Great Southern is also huy-ing two Isle of Wight funeral businesses, Newport Hire, for £1.03m, and Twymans, which is operated in conjunction with Newport, for £290,000.

of £352,000 in the year to July

31, and Twymans made

£22,850 on turnover of £65,000 in the year to September 30.

Continued control of costs Newport returned profits of £75,000 before tax on turnover

helped William Ransom & Sons, the Hertfordshire-based manufacturing chemiet, amounce a 20 per cent upturn in pre-tax profits to £307,000 in the half-year to the end of Sep-

the weather this winter had been mild so far, sales of cough and cold preparations had held up, while exports were huoyant in spite of the strong pound. Turnover rose to £2.94m (£2.62m). After tax of £107,000 legislation. Mr David Hudd, Inoco chairman, said the deal offered "a tremendous opportunity to achieve the group's sole objec-tive of increasing net asset

year because of the restructur-

ing It has undergone in the last

Gronp assets were £3.14bn

(£3.26bn). The chairman's

statement sald that this reflected a group policy of keeping loans and advances relatively flat while concen-

trating on loan husiness in

Scandinavia and the UK. More

than half the bank's lending is

in Scandinavia and the UK and

half the loan portfolio has a

Loans and advances repayable after one year were £587.8m (£606.44m) while term

deposits were £60.26m

Earnings leapt to 19.1p

maturity of under one year.

few years.

(£81.05m).

(losses of 9.7p).

value of increasing net asset value by active management". Following completion, Mr David Rowland, the entrepre-neur who injected his property assets into Inoco last May, will be appointed president and chief executive officer of Gulf. Mr Hudd and Mr Jeremy James, another Inoco director, and Mr D Moran, an Inoco executive, will also join the Gulf board.

Gulf, listed on the New York

Stock Exchange, achieved pretax profits of \$40.8m in 1987, although this included a gain of \$43.2m on the disposal of its interest in Imperial Continen-tal Gas Association, Net assets at September 30 1988 stood at \$181m, including liquid assets of \$173m.

The final dividend is a rec-

ommended 5.68p per unit,

which together with the interim dividend of 2.82p (2.7p)

raises the total payment for

Scandinavian's results were

close to market expectations

and reflect s highly cautious

approach after the squalls of the bank's first year when it

was hit in rapid succession

first by LDC debt and then by

the crash, particulary in Ban-que Scandinave en Suisse, its Swiss subsidiary. The effects of

the crash on its Swiss fund

management operation should

not obscure the fact that three

of its four core businesses did

tha year to 8.5p (8p).

8 COMMENT

Inoco this week reported substantially increased taxable profits for 1988. On turnover of £9.86m (£3.73m), the pre-tax outcome leapt from £233,000 to £2.29m. Earnings per 10p share worked through at 1.62p (0.4p) and a maiden dividend of 0.225p is proposed for the

Mr Hudd said the group's property portfolio currently consisted of 66 properties valued at £81m generating net rental income of £6m. Share-holders' funds now stood at £70m against jnst £5m two years ago, he added.

well and profits would other-

wiss have shown healthy

growth on a reduced balance

sheet. Now that the spectres of the crash and Third World exposure have receded, the

bank is free to concentrate its

sights on merchant banking

and corporate husiness in Scandinavia. Better times should lie ahead. The bank has

obvious potential as a corridor

through which Scandinavian

companies are likely to want to

pass on their way into Europe in 1992. The internal restruct-

uring which absorbed the hank's energiee last year

should provide the springboard

for a stronger performance

next year. The p/e ratio was 7.6

An extraordinary profit of £5.92m (loss of £2.34m) related mainly to sales of investment properties.

Inoco said the disposals were made in order to reduce gearing while interest rates were increasing. At the year-end, horrowings amounted to

#### Procordia extends £63m bid for Bassett By Lisa Wood

PROCORDIA, the Swedish group, yesterday extended its £63m hostile bid for Bassett Foods until February 22 and said it had not yet decided whether it would be countering the £91m agreed offer for the Jelly Babies manufacturer made by Cadbury Schweppes, the UK soft drinks and confec-

tionery group.

Procordia, which held a 10.1 per cent stake in Bassett when per cent stake in Bassett when it launched its 400p-per-share offer in January, said that by February 8, the first closing date, it either owned or had received acceptances for 10.2 per cent of Bassett's equity. County NatWest, which is acting for Procordia, seid nothing should be read into

nothing should be read into the extension of the existing offer. "All that it indicates is that we are still in the game." The Bassett board last week gave its unanimous snpport to Cadhnry which is offering eight new Cadbury shares for

every five already held in Bassett, the equivalent of 579p per share. There is also a cash alternative of 536p per share.

#### Elbief profits advance 48%

Sharply increased sales of its clock and mirror ranges enabled Elhief to lift pre-tax profits 48 per cent to £225,000 in the six months to October 31 1988. Turnover rose from

£2.08m to £2.3m.
The company said that while sales of clocks and mirrors had donbled compared with the same period of 1987, sales of photograph frames in the export market had remained static. They had, however, grown strongly in the UK. Handbag frame sales, both home and ahroad, had also shown little change and directors repeated the view that sales of the product had

reached their low point.
Overall, full year sales and profits were expected to show an improvement on last year. An interim dividend of 0.585p (0.532p) is payable from earnings of 1.15p (0.78p) per 10p share.

## Inoco takes 34% stake in Gulf Resources

By Graham Deller

inoco, the property investment group, is returning to its original oil and gas exploration roots by purchasing a 33.9 per cant stake in Gulf Resources and Chemical Corporation, the US exploration, and or other conditions are stated in the condition of the condi development and production

SCANDINAVIAN BANK, the London-based international

bank which floated multi-cur-

rency shares on the Stock

Exchange in 1987, yesterday reported pre-tax profits of £23.56m in 1988.

The result, described as much in line with board expec-

tations, was down from

£26.58m a year ago. However this year the hank did not

make any provisions against

developing country risk. A

year ago provisions of £27.21m transformed the bank's profit

into an overall loss of £625,000.

Mr Egil Gade Greve, chairman, said that he was "cau-tiously optimistic" that the

results for the bank would be satisfactory during the coming

company.

Inoco is buying the holding from David and Frederick Barclay for \$41.08m (£23.5m), to be funded from existing facilities and further horrowings secured on the Gnlf It is subject to the approval of Inoco shareholders and

clearance under US anti-trust Wm Ransom 20% higher

Directors said that although

(£89,000), earnings per 10p share expanded to 1.32p (1.1p). The interim dividend is raised

#### Platon offer raises £1.28m

Platon International, the USM-quoted measurement, control and information technology group, yesterday announced that it had raised £1.28m following its open offer. In addition to the 581,805 shares (28.5 per cent) taken up by shareholders, 1.46m shares were taken np under the underwriting agreement by Safeguard, which also sub-scribed for a further 512,516

Following the initial announcement of the open offer, the auditors were able to issue an unqualified opinion on tha company's year to April 1

#### Cost control helps return to profits at Sycamore

SYCAMORE HOLDINGS, the Burnley-based manufacturer of kitchen and garden furniture, foundry and plastic products, returned to the hlack in the 12 months to end-September 1988. On turnover of £6.91m (£5.59m), the group turned in a pre-tax halance of £5,000 against losses of £156,000 in the previous year. Operating prof-its were £171,000 (losses of

£111,000). Mr Michael Hunton, chair-man, said the group's objective of controlling operating costs had been achieved in high cost areas such as energy and mate-

This, he added, was particularly relevant in the face of price escalation which heset the world's aluminium processing industries leading to secondary ingot prices rising by some 60 per cent during the

Mr Hunton said that considerable price increases necessary to recover high metal costs had been accepted by the group's customers. Earnings per share were 0.055p, compared with losses of 1.73p in the previous 12

### FT LAW REPORTS

## Tin company is not bound by comfort letter

KLEINWORT BENSON LTD v
MALAYSIA MINING
CORPORATION BERHAD
Court of Appeal (Lord Justice
Fox, Lord Justice Ralph Gibson

and Lord Justice Nicholls): February 2 1989

A LETTER of comfort hy which a parent company states that its policy is to ensure that lts snhsidiary can repay a loan, is a factual statement as to current policy and, in the absence of express words to the contrary or evidence of contrary intention, it cannot be enforced by the lender as a contractual promise to ensure repayment, though it was made for the purpose of induc-ing him to make the loan.

The Court of Appeal so held

The Court of Appeal so held The Court of Appeal so held when allowing an appeal hy the defendant, Malaysian Mining Corporation Berhad ("MMC"), from Mr Justice Hirst's decision (1983) I FTLR 283) that it was contractually liable to the plaintiff, Kleinwort Benson Ltd, under a letter of comfort given hy MMC in support of a loan made to its subsidiary.

LORD JUSTICE RALPH GIB-SON said that Kleinwort was a merchant banker. MMC was a Malaysian company. Its wholly-owned English subsidiary

ly-owned English subsidiary operated as a ring dealing member of the London Metal Exchange.

The subsidiary's paid-up capital was £1.5m. It required larger funds to carry on trading. MMC negotiated with Members for the provision of Kleinwort for the provision of funds. Kleinwort sought assurninds. Riemwort sought assurances from MMC as to its
responsibility for the repayment by the subsidiary of any
sums which were lent.

At first Kleinwort offered a
£5m loan facility on terms that
MMC and the subsidiary
should be jointly and severally
liable for amounts due.

hable for amounts due.

Later it proposed a guaran-tee rather than joint and sev-eral liability. MMC stated it was not its policy to guarantee Its subsidiary's horrowings, and it suggested a letter of comfort. By that stage Kleinwort realised it would not be able to obtain either joint and several liability or a guarantee from MMC. A comfort letter dated

August 21 1984 was provided by MMC in respect of the £5m loan facility. In paragraph 3 of

"it is our policy to ensure" that the subsidizry's husiness "is at all times in a position to meet its liabilities to you under the above arrangements".

In 1985 the facility was increased by Kleinwort to a maximum of £10m in reliance

on a second comfort letter dated May 7 1985 in substan-tially identical terms.

In October 1985 the tin mar-ket collapsed. The subsidiary ceased trading. Kleinwort demanded repayment. Nothing was paid and the subsidiary went into liquidation. Kleinwort called on MMC to ensure payment of the sums due. MMC refused to pay. It said the statements in the letter of May 7 were not intended to be

May 7 were not intended to be legally binding, and that it had given no assurance that the "policy" referred to would not he reviewed in toe light of changing circumstances.

Mr Justice Hirst applied the principles that an agreement, though supported hy consideration, was not binding if made without any intention of creating legal relations; but that in the case of an ordinary commercial transaction the onus of proving lack of such intention was on the party who asserted that no legal effect was intended, and was heavy (see Edwards v Skyways [1964] 1 WL 349]). He held that MMC had not demonstrated that the had not demonstrated that the parties did not intend the letter to have effect as a contractual

In his view it was an under-taking that "now and at all times in the future" as long as the facility arrangements, it would be MMC's policy to ensure that it was in a position to meet tha liabilities. He gave judgment against MMC for £12.25m damages for breach of contract. MMC now appealed.

Mr Stamler for MMC submitted that the term "comfort letter" was geoerally understood to include a letter giving con-fort only, in the sense that the parent company assumed no legal liability to pay the dehts of its subsidiary but, in recog-nition of its moral responsibility, acknowledged that the debts had been incurred with its knowledge and approval, and stated its present policy as

to ensuring repayment.

He submitted that the statement in paragraph 3 of the letter was not a contractual promise and was not intended

to have legal effect as such. It was a representation of fact as to MMC's policy at the time the statement was made. He said that to give the meaning the

judge gave it required that no force should be given to the words "it is our policy." Further, it was necessary to imply a promise that the policy would not be changed, and such an implication was not possible on the svidence. Mr Waller for Kleinwort sub-

mitted that the statement in paragraph 3 was made in a commercial contractual docu-

ment and should be treated as a contractual promise if it eppeared on the evidence to have been so intended.

He said it was shown to have been so intended because the statement was made for the purpose of inducing Kleinwort to enter into the facility transto enter into the facility trans-action, and it was plainly of decisive importance to the

Also, it was submitted, the statement as to present policy must be taken as including a promise that it would remain in force. The central question was whether the words of para-graph 3, considered in context, were to be treated as a warranty or contractual promise (see Esso v Mardon [1976] 1 QB 802 - not cited to Mr Justice

Paragraph 3 contained no express words of promise, It was a statement of present fact and not a promise as to future conduct. The aheence of express words of warranty as to present fact, or the absence of express words of promise as to future conduct, did not con-clusively exclude a statement from the status of warranty or

An affirmation could only be a warranty provided it appeared on the evidence to have been so intended. The evidence did not show that the words used in paragraph 3 were intended to be a promise as to MMC's future conduct. It showed the contrary It was clear that the concent

of a comfort letter, to which the parties had resort when MMC refused to assume joint and several liability or to give a guarantee, was known hy both sides to include a document under which MMC would ment under which MMC would give comfort to Kleinwort hy assuming, not a legal liability, but a moral responsibility to

There was nothing in the evidence to show that as a matter of commercial probabil-ity or common sense the pargraph 3 to he a contractual promise which was not expressly stated, rather than a mere representation of fact which was so stated.

The evidence of the context in which the comfort letter was given showed that the aim of the transaction was the provi-sion of a letter of comfort in had refused to assume legal lia-hility for repayment of the money, whether in the form of joint and several liability or of guarantee. It was impossible to guarantee. It was impossible to hold that the words in para-graph 3 were intended to have any effect between the paries other than in accordance with the express words used. They could not be regarded as intended to contain a contractual promise as to MMC's

Kleinwort had suffered grave financial loss as a result of the collapse of the tin market and from MMC's decision not to honour a moral responsibility which it had assumed to gain the finance necessary for its subsidiary's trading operations. MMC made no con-tractual promise.

The consequences of its decision to repudiate its moral responsibility were not matters for the court. The appeal was allowed. Lord Justice Nicholls and Lord Justice Fox agreed.

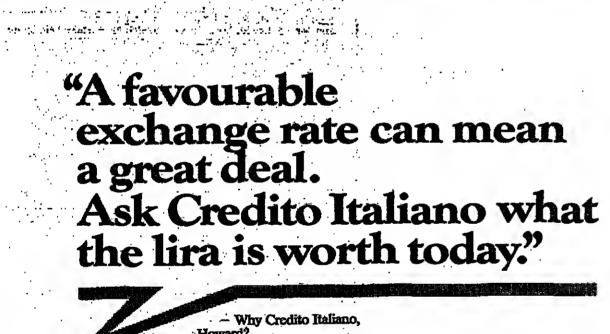
For Kleinwort: Mark Waller QC, Nicholas Padfield and Dominic Chombers (Herbert Smith).

For MMC: Samuel Stamler QC and Julian Gibson-Watt (Fresh-fields).

Rachel Davies

Correction

A passage in yesterday's business law column "Myth of onestop EC merger control" was incorrectly transcribed. It should have read as follows: "A new approach [to EC merger control] is required. First, it should be recognised that share transactions have special requirements which call for separate treatment. A new regulation should he drafted for regulation under





## Texan 'clean' beef offer may solve dispute with EC

Sy Nancy Dunne in Washington

THE TEXAS Agriculture Depertment said yesterday that the US Department of Agriculture was now co-operating to try to facilitate the sale of hormooe-free beef to the

European Community.
Such sales could lead to a settlement of the US-EC dispute over the Community's ban oo imports of US beef from animals treated with growth-

promoting hormones.

The US imposed e retaliatory ban on almost \$100m worth of EC food products when the EC embargo went into effect on

Mr James Baker, the US Secretary of State, has interveoed in the dispute, pushing for a settlement before his trip to Europe next week, according

to the New York Times. Mr Jim Hightower, the Texas agriculture commissioner, has been offering sales of Texan hormone- and antiohiotic-free meat as a solution to the dis-pute. On Tuesday he outlined an export verification system which he said would make the sales possible

He said EC officials had been working with the Texas Agri-culture Department to help devise the certification proce-dure, and that European veteri-nary inspectors had reviewed

"As we suspected, meeting the EC's technical requirements turns ont not to be the 'impossible tesk' the USDA officials claimed it was." Mr Hightower said. "Indeed, practically all the verification pro-cedures required by the EC are either already practised by the USDA or can easily be incorporated into their current prac-

A USDA spokesman yester-

Indonesia to

imports

increase sugar

INDONESIA WILL increase its

sugar imports to 230,000 tonnes

tonnes would be needed to sup-

ply the country's needs and top

sugar because the current sup-

ply is still below our ideal

stocks," the Bulog official said, adding that Indonesia's sugar

stocks had fallen to around

400,000 tonnes short of the 1.4m

He said Indonesia consumed

some 2.4m tonnes of sugar a

year, 100,000 less than agricul-

ture officials expect it to pro-

tonnes safety level.

duce in 1989.

We have to import more



Clayton Yentter: proposals "undercut our position"

day said it helieved the Texan plan would satisfy the requirements of the Community "but we'll be glad to look et the

Mr Clayton Yeutter, who was sworn in yesterday as agriculture secretary, wes biting about Mr Hightower's proposals last week, oeying "they clearly undercut our position in e very major way."

Mr Hightower's offer was

"greeted with glee by our frieods in the EC, and thet's underotandable," Mr Yeutter said "It would have been helpful to heve had him on our side in that negotiation rather than

on their side."
Mr Yeutter said the ban was inappropriate, illegal under the Gatt rules, and improper." If sales of hormone-free heef went ahead it "would reduce the amount of damages to the US...hut it will hy no means eliminate the damages." It would not resolve the principles et issue, Mr Yeutter said, adding that the dispute would

go on. Mr Hightower's intervention has weakened the US case against the hormone ban. The Texas commissioner requested e doubling of the Community'e 10,000-tonne quota for US pri-mal beef, indicating that the US supply of "natural" hor-mone-free beef has grown so large that Texan production alone could fill a higher EC

quota.
In its attempt to settle the dispute, the Community last November offered to expand the US quota to 20,000 tonnes.

The offer of "clean" beef from several American states has been greeted with glee hy e EC countries, but while the European Commission formally "welcomed" the latest reports, officials privately had strong doubts that they could break the impasse. For one thing there is a wide ewareness in Brussels that

Washington's opposition to the EC hormones ban is based on the principle thet harriers should only be put up where there is some scientific evidence to support them. So while the Texan suppliers may embarrass the US Administration, their ections are unlikely

to provide the basis for e long-term political settlement. The other problem is the practical one of ensuring that the US beef conforms with EC standards, something that can only he done after inspections of US meat plants have been carried out under EC certifica-

An EC official said yesterday: "We have no problems with the Texans as long as our conditions about the meat being treated are met."

## **US** herd reduction less than expected

By Deborah Hargreaves in Chicago

this year from 180,000 tonnes in 1988, an official of Bulog, the CATTLE futures prices came under pressure in Chicago yes-terday after the US Depart-National Logistics Agency, said, Reuter reports from Jakment of Agriculture published But trade sources said the a report that showed the size of the US cattle herd had not figure seemed low, and estimated imports of up to 400,000 declined by as much as ana-

lysts had expected. The department estimated a total of 99.5m head for the US beef cattle herd - just slightly below last year's level. The figures indicated that the heef herd was finally stabilising after seven year's of sharp declines. In 1988 the herd fell time since 1961.

Analysts had expected the downtrend to continue and had been predicting a herd of some 98m head this year. The higher figure was enough to jolt live

cattle futures out of their trading range on the Chicago mer-cantile Exchange and push

them sharply lower.
The USDA estimates seemed to indicate that producers had finally accepted that "the higher prices are for real" and were starting to rebuild their herds, according to Mr Chuck Lambert at the National Cattlemen's Association. Cash prices for beef cattle averaged \$75 a hundredweight in January, compared with \$67 last year.

The report also showed a 5 per cent rise in the number of beef heifers retained by pro-ducero for hreeding. This, accompanied by an 8 per cent drop in slaughter of beef cattle showed that producers boosting their herds.

LONDON METAL EXCHANGE

99.7% purity (\$ per tonne)

#### Brown to retire as LME chief executive

By Kenneth Gooding, Mining Correspondent

MR MICHAEL Brown, who as chief executive of the London Metal Exchange since 1985 has played a major part in steering the LME through the most traumatic period in its long history, is to retire at the end of this year.

He said yesterday: "I've had 40 years in the commodities and metals markets, 40 years of commoting to London and

of committing to London and the time has come to step aside and take life a little more slowly."
Mr Brown, who will be 57 in
June, also said he wanted to

give the LME enough time to select and appoint his succes-sor. A former chairman of the LME committee and managing director of Lonconex, one of the ring dealing members of the exchange, Mr Brown joined the LME secretariat in March, 1985, in the newly-created post of chief executive.

Within six months of his appointment the exchange was rocked by the massive default of the International Tin Coun-

He said yesterday: "It has been six years when there was one crisis after another." one crisis after another."
However, in spite of the traumas the LME has retained its position as the world's most important terminal market for base metals and its

prices are the most widely used in contract negotiations. As LME chief executive and board member, Mr Brown was also closely involved in the restructuring of the exchange to conform with the require-ments of the UK Financial Ser-vices Act.

#### Noranda to restart copper mine By Robert Gibbens in

THE NORANDA mining company of Canada is restart-ing production next week at its spe copper mine, 700 miles north-east of Montreal, at a planned milling rate of about 3,000 tonnes of ore a

day.
Higher-grade ore will he mined initially hecanse the more than world company expects the world copper price to decline below US\$1 a lb hy the end of the

The company had to close the mine in April, 1987, after a serious fire, and then it decided that prices were too low to justify its rehabilitation. It kept its Gaspe copper smelter nearby in operation, mainly handling ores from

**WORLD COMMODITIES PRICES** 

(Prices supplied by Amaigamated Metal Trading)

1696-700

AM Official Kerb close Open Interest

27,014 lots

66,689 lots

Ring turnover 47,375 tonne

Fling turnover 80,000 oza

363 lots Pling turnover 9,850 tonn

9,412 lots

5,420 lots

4,210 lots Ring turnover 15,050 toppe

11,787 lota

Ring turnover 2,502 tonne

Ring turnover 5,525 tonne

120 00 116.25 112.75

119.90 115.90 112.40

120.70 117.00 118.50

## Palestinians seek fruits of success

Andrew Whitley on Israel's controversial farm exports to the EC

ALESTINIAN farm exports to Western Europe -- the subject of a lengthy political hattle between Israel and the European Community -- have got off to a shaky start, amid accu-sations of deliberate spoiling tactics by Israel and plain bad

Internal politics are also souring the climate, with rival-ries between established farming associations and more netionalistic development groups keen to establish them-selves on the international map. Which of these are favoured by the EC member states and the Commission will carry weighty political implica-

Stirring the pot, meanwhile, the Defence Ministry in Tell Aviv has repeated earlier warnings against allowing the Palestine Liberation Organization to become involved and the communication of the communication to become involved and the communication to be com tion to hecome involved -code language for a preference for those more pliant Palestinians with whom the Israelis have always dealt.

Matters came to a head this

week when Mr Shmuel Goren, head of the military-run Civil Administration for the West Bank and Gaza Strip, met senior EC officials in Brussels to discuss the progress of the agricultural exports agree-

On the agenda were recurrent problems over the \$3.3m to \$3.5m in project aid allo-cated to the occupied territo-ries by the EC each year. Part of this last year went to the PLO-oriented Economic Development Group and the Arab Development Credit Corpora-

tion in Arab East Jerusalem.

Politics aside, farmers' leaders say they are pleased with customers' initial response to winter vegetables such as aubergines and bell peppers grown in the West Bank and they plan to widen their distribution network in Europe next season. Despite complications surrounding the initial shipments, the farmers intend to spread out from their first base in France to the UK, West Ger-

ISRAEL's agricultural output dos - an important export declined by 5 per cent in vol-ume terms last year, largely because of poor weather condi-tions, the official Central Bureau of Statistics has reported. This followed a 10 per cent rise the previous year.

Wheat and citrus crops each suffered declines of about a quarter, while output of avoca-

many and Sweden. "The mistakes were out of our hands. It [the initial shipment! was a success," insisted Mr Khaled al-Quttab, Secretary of the Agricultural Co-operatives Union, the principal farm-ing body in the West Bank. The union comprises eight marketing co-operatives and represents about 5,000 mem-bers, including nearly all of the region's large commercial

Mr Quttab, just back from talking to the Marseilles-based importers who handled two trial shipments of Palestinian vegetables over the past six weeks, said that in a normal season — from October to April — the West Bank was capable of shipping between 3,000 and 4,000 tonnes of firstgrade aubergines to Western Europe.

The main constraint on raising the figure was the diffi-culty of disposing of the larger surplus of second-grade pro-duce on the local market. With the doors to Israel and Jordan closed to West Bank vegetables this winter, crops have been rotting in the ground without

Ironically, the original stim-ulus for the Palestinians to npgrade the quality of their aubergines to European standards, was the opportunity to export through Agrexco, the Israeli state marketing body which they are now competing against.

In clear contravention of EC rules of origin, Agrexco used to purchase hundreds of tonnes from the West Bank to top up inadequate supplies from crop - plummeted by 73 per cent following an early sum-

The Government's figures estimated the overall value of agricultural production at Shekels 5bm (\$3.2bm), a 15 per cent rise in nominal terms but an actual decline after infla-

Israeli farmers. However, attitudes changed dramatically after the first, very modest, shipments of Palestinian produce set sail for France last December.

A threat from Agrexco – a leading force in the supply of fruit, vegetables and cut flowers to the Community - to sever its links with one importer, Compagnie Fruitiere, persuaded the company to drop persuaded the company to drop out at the last minute. Two smaller wholesalers, V.G. Fruits and Agrosud, were able to fill the gap. But then the other original importer, Sud France, also received a phone call from Agrexco, which offered to do business with it. The offer was refused.

Sabotage was suspected

Sahotage was suspected when the crucial first shipment of 40 tonnes of aubergines – sent aboard an Israeli general cargo boat - arrived just too late for the peak Christmas sales period. In addi-tion, nearly half of the con-tents of the refrigerated con-tainers were spoiled, because of what independent French experts concluded was deliberate manipulation of the con-

teiners' temperature controls.
Dismissing deep-seeted
Israeli fears of competition
from the lower-cost Palestinian farmers, the co-operatives' union points out that higher freight costs, equivalent to \$400 a tonne, and delays resulting from stringent Israeli security checks cancel out this potential tial advantage.

Officials in Tel Aviv have long been concerned that the entire exercise, initiated by Brussels in October 1986, was a hackdoor way of establishing the sense of an independent Palestinian entity in the minds

of the European public.
Therefore, at Israel's insistence, none of the produce from the West Bank or the Gaza Strip being sold in the Community carries the obliga-tory declaration of place of origin. While the citrus from Gaza goes under the hrand name:
"Gaza Top", the cartons of vegetables shipped from the West
Bank carry the "Jericho" label. Establishing the Jericho hrand name in the market

for Mr Quttab. To this end, he says, next season every euber-gine will carry an identifying Direct marketing campaigns are ruled out, however, as not being justified by the present

lace is the next big challenge

At current average prices-winter aubergines could earn the Palestinians about \$5m a

Another requirement is to improve the present rudimen-tary grading and packing facili-ties in the West Bank, and to put up cold storage plants. Here the Community is expec-ted to be of financial assis-

With the French importers reportedly satisfied with the quality of the produce and the standard of packaging, Mr Qut-tab wants to proceed step-by-step in exploiting the potentially hnge market opportunity prised open by the European

We'll add additional items such as hot peppers as we go

along." he says.
The Palestinians are realistic enough not to want to challenge the Israelis in areas such as winter strawberries or avocados, where Agrexco is firmly established in Europe. But there is enough optimism for talk of experimenting with cer-tain high-value items such as asparagus and kiwi fruit, which would grow well in the all-year warmth normally enjoyed in the fertile Jordan

## US coffee roasters tough on new accord

US National Coffee Association's annual convention in Florida this week agreed that a new price-supporting Interna-tional Coffee Agreement would have to be fundamentally dif-ferent from the current pact for it to be acceptable, Reuter reports from Boca Raton

reports from Boca Raten. In particular the NCA said its members would not accept the renewal of the agreement unless cut-price sales to nonmembers were ended and more flexibility was allowed for changes in demand for certain

types of coffee.
"For the first time since I've

**US MARKETS** 

LIVE CATTLE futures were sharply

lower to limit-down as the market reacted to bearish interpretations of

the U.S.D.A. Inventory report, reports Drexel Burnham Lambert. Heavy long-liquidation and stop loss selling

accounted for much of the action. Pork

been coming to this convention, I see a lot of people who don't even care if there's an agreement," commented one disenchanted trader. "The market's split about 50-50 between those who don't think it matthose who don't think it mat-ters and those who'd like to see an agreement," said another. "People are tired of all the talk and are really tired of a

two-tier market. And many don't think the market would wasn't an agreement." Tighter coffee supplies

because of a drought-reduced 1989-90 Brazilian crop and dwindling consumer stocks suggested that prices might hold current levels even if export quota arrangements were discarded, some traders said. But others thought prices would fall sharply if producer/ consumer talks falled to yield an agreement. "The market is going to

react to conditions prevailing at the negotiations. A lack of general acceptance by April would be putting things pretty late and the market would get for a major North American roaster said.

In November, producers rejected the concept of a uni-versal export quota proposed by European consumers as a

CRUDE OIL (Light) 42,000 US galls 3/barrel

17.49 16.99 16.69 16.42 16.19 15.99 15.84 15.70

135.40 139.87

17.48 17.03 16.77 16.63 16.30 16.10 15.85

17.36 16.91 16.66 16.42 16.20 16.04 15.96 16.75

way of eliminating the two-tier market, Subsequently, consum-ers rejected a producer pro-posal calling for stricter penal-ties for producers who sold

cheaply to non-members. On Tuesday, Jorge Cardenas, chief of Colombia's National Federation of Coffee Growers, said that Colombia was planning to revive a plan giving greater weight to producer stocks when calculating coffee

ing two-tier pricing.
On Wednesday, representa-tives from Mexico, Guatemala, El Salvador, Costa Rica, Colombia and Honduras were said to have met for informal talks

SOYABEANS 5,000 bu min; cents/60ib bushe

Chicago

#### LONDON MARKETS

Tin prices on the European free market yesterdey reeched the highest level for neerly three years. Spot tin was indicated in the range \$7,780 to \$7,800 e tonne for high grade metal in warehouse Rotterdam compared with \$7,720 to \$7,750 e tonne on Wednesdey. On the London Metal Exchange zinc prices firmed as several North American producers ennounced price increeses, giving confirmation of good demand in the region. Traders said this might give the markst sufficient upward Impetus to break through trade selling resistance eround \$1,800 e lonne. Sugar futures moved to a five-week peak, primarily on technical factors, but a supportive backdrop was provided by the latest estimate of the world suger balance by the F O Licht statistics egency which seid stocks by the end of 1988/89 will

Crude oil (per barrel FOB)		+ 01
Duber Brent Blend W.T.I. (1 pm est)	\$14,20-4,30z \$16,80-6,90v \$17,35-7,40z	-0.25
Oil products (NWE prompt delivery per t	onne CIF)	+ or
Premium Gasoline Gas Ori Heavy Fuel Oli Naphiha Petroleum Argus Estimates	\$180-183 \$136-138 \$68-70 \$159-161	-1
Other		+ 01
Gold (per troy oz)  Silver (per troy oz)  Platinum (per troy oz)  Palladium (per troy oz)	\$394.25 580c \$538.25 \$141.25	+3.75 +2 +0.0 +0.50
Aluminium (free market) Copper (US Producer) Lead (US Producer)	\$2195 138 <sup>5</sup> 8-1440 38 5c	+40 +3½
Nickel (free market) Tin (European free market) Tin (Kuala Lumpur merket) Tin (New York) Zinc (US Prime Westem)		+6.19 +1.5
Cattle (live wolght)† Sheop (dead weight)† Pigs (live wolght)†	108.41p 132.09p 81.59p	-2.20 -5.94 -0.05
London daliy sugar (raw) London daliy sugar (white) Tate and Lyle export price		+4.0 +2.0 +1.5
Barley (English feed) Maize (US No. 3 yellow) Whoat (US Oark Northem)	£115 £132 £124.5v	+ 1.5 -1.25
Rubber (spot)♥ Rubber (Mer)♥ Rubber (Apr) ♥ Rubber (KL RSS No 1 Mar)	59.50p 69.50p 70.00p 309.0m	-0.75 -1.00 -1.00 -3.0
Coconut all (Philippines)§ Paim Oli (Malaysian)§ Copia (Philippines)§ Soyabeans (US) Cotton "A" index (Yooltops (64a Super)		-3.5 -0.40

E a tonne unless otherwise stated. p-pence/kg :-cents/lb. r-ringgit/kg. z-Mai. w-Feb. v-Apr/ May. u-Mar/Apr. q-Apr/Jun. x-Feb/Mar. tMeal ission avarage latstock prices. \* changa from a week ago. Thondon physical market 5CIF Rotterdam. - Bullion market close. m-Ma-

Mar May Jul			
May Jul	Close	Previous	High/Low
Jul	855	851	859 845
	874	864	274 859
	870	860	872 855
Sep	862	852	862 852
Dec	876	861	876 864
Mai	865	855	866 853
Мау	870	858	857
ICCO inc price for	Feb & 1	0501) lets o ences (SDR 118.05  1114 5  1105.52)	f 10 tonnes is per tonne). D 4.42]:10 day aver
COPPEE	€/топпа		
	Close	Previous	High/Low
Mar	1185	1186	1165 1168
May	1155	1162	1156 1138
Jty	1139	1148	1137 1130
Sep	1124	1135	1127 1121
Nov	1120	1130	1110 1114
Jan	1118	1128	1121
SUGAR (	\$ per to	nne)	
Raw	Close	Previous	High/Low
	236.00	229.40	237.20 230.00
	241.60	235.20	242.00 235.40
	241.00	235.00	239.40 235.00
	238.40	232.00	238.20 233.00
D	239.00 235.00	230.00	230.00 232.00 231.40
	234.00		Z3Z.LU 231.4U
Mar			
Mar May	Class	227.00	232.20 229.60
Mar May White	Close	Previous	232.20 229.60 High/Low
Mar May White Mar	289.00	Previous 286.50	232.20 229.60 High/Low 289.00 285.00
Mar May White Mar May	289.00 282.00	Previous 286.50 275.00	232.20 229.60 High/Low 289.00 285.00 281.00 275.50
Mar May White Mar May Aug	289.00 282.00 281.00	Previous 286.50 275.00 275.50	232.20 229.60 High/Low 269.00 285.00 281.00 275.50 278.80 274.50
Mar May White Mar May Aug Oct	289.00 282.00 281.00 272.00	Previous 286.50 275.00 275.50 266.00	232.20 229.60 High/Low 289.00 285.00 281.00 275.50 278.80 274.50 271.00 287.00
Mar May White Mar May Aug Oct Dec	289.00 282.00 281.00 272.00 270.00	Previous 296.50 275.50 275.50 266.00 262.50	232.20 229.60 High/Low 269.00 285.00 281.00 275.50 278.80 274.50 271.00 287.00 269.00
Mar May White May May Aug Oct Dec Turnover: White 143	289.00 282.00 281.00 272.00 270.00 Raw 4 39 (1246) hite (FF	Previous 296.50 275.00 275.50 266.00 262.50 313 (3162)	232.20 229.60 High/Low 289.00 285.00 281.00 275.50 271.00 287.00 269.00 lots of 50 tons el: Mar 1812
Mar May May May Aug Oct Dec Turnover: White 143	289.00 282.00 281.00 272.00 270.00 Raw 4 39 (1246) hite (FF	Previous 296.50 275.00 275.50 266.00 262.50 313 (3162)	232.20 229.60 High/Low 289.00 285.00 281.00 275.50 271.00 287.00 269.00 lots of 50 tons el: Mar 1812.
Mar May While May Aug Oct Dec Turnover: White 143 Paris- Wi 1759, Aug	288.00 282.00 281.00 272.00 270.00 Raw 4 39 (1246) hite (FF	Previous 286.50 275.00 275.50 288.00 282.50 313 (3162)  r per tonnoct 1710, Do	232.20 229.60 High/Low 289.00 285.00 281.00 275.50 278.80 274.50 271.00 287.00
Mar May While May Aug Oct Dec Turnover: White 143 Paris- Wi 1759, Aug	289.00 282.00 281.00 272.00 270.00 Raw 4 39 (1248) hite (FF 1785, (	Previous 286.50 275.00 275.50 286.00 262.50 313 (3162) r per tonn Oct 1710, D	232.20 229.60 High/Low 289.00 285.00 281.00 275.50 276.80 274.50 271.00 287.00 269.00 lots of 50 tons e): Mar 1812, I ac 1700, Mar 16

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	R (\$ per to		Mat	a	
Raw	Close	Previous			
Mar May	236.00 241.60	229.40 235.20		0 230. 0 235.	
Aug	241.00	235.00	239.4	0 235.	<u>~~</u>
Oct	238.40	232.00	238.2	0 233.	
Dec Mar	239.00 235.00	230.00	230.0	0 0 231,	40
May	234.00	227.00		0 229.	
While	Close	Previous	High	Low	
Mar	289.00	286.50		0 285.	
May Aug	282.00 281.00	275.00 275.50		0 275. 0 274.	
Oct	272.00	266.00		0 287.	
Dec	270.00	262.50	269.0		
umov	er. Raw	4313 (3162	lots	c1 50	tons
White '	1439 (1238	3.			
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		EXCHANO			
	lum (99.7?		ella	P	uts
	orice \$ tor			Mar	Ma
2050 2150		156 82	172 117	10 35	54
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Соррег	Grado A	1 0	alls		u ba
		201	183	35	179
2900					296
3100		84	106	117	
3100		84 26	106 58	117 257	
3100					
3100 3300		26	58		
3100 3300 FRUT		26 GETABLE	58	257	445
THE F	IRST Jam	26 GETABLE alcan Uglis	58	257 the sh	445
FRUT THE F	IRST Jam. eek at 45- now arriv	26 OETARLE Alçan Uglis 60p each, r als include	58 are in eports Anjou	the si	445
FRUT THE F this w Other	iRST Jam. eek at 45- now arriva he USA at	OGETABLE alcan Uglis 60p each, r als include 35-60p o II	58 are in eports Anjou	the sh FFV:S pears Villam	445 lops
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٧	1120	1130	1110	1114		Zinc. Spe	cial Hi	oh Grade I	S per tonne)				_
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	236.00	229.40			-								
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C	239.00	230.00	230.0						10-1-1				
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He .	Close	Previous	High/	Low			00.5	85.3 89.5	86.2 84.9 91.1 90.0		Opening Morning	*-	38
f	289.00	296.50		0 285.			01.0	102.0	31.1 3000		Afternoor		33
y	282.00 281.00	275.00 275.50		0 275. 0 274.		Turnover	143 (1)	721 lots of	40 tonnes.		Day's hig	an I	38
9	272.00	266.00		0 267.				-,			Day's lov		380
	270.00	262.50	269.0										
TIOV	er. Raw 4	313 (3162)	lots	c1 50	200000	SOYABEA		IL EMBRING			Colms		-
rte '	439 (1246	}_					icee	Previous	High/Low			_	\$ :
13-	White (FF	r per tonn	e): M	ar 181	12, May		58.00	158.50	15P.00 158.	90	Mapielea Ortzonia		405
O. A	ug 1765, (	Oct 1710, D	ec 170	10, Ma	r 1675		52.00	152.50	152.00		US Engle		
						Aug 1	48.30		148.30		Angel		405
MEDIC	N METAL	EXCHANG	TRAI	0	PTIONS	Turnover 8	115 (12	iots of	20 tonnes.		Krugerra		360
espire.	lum (99.7%	6) C	atis	F	uts						New Sov.		92
_	rice \$ tor	<del></del>	May	Mar	May	FREIGHT F	UTUR	E\$ \$10/Ind	ex point		Old Sov. Noble Pla	ıt	923 544
0		158	172	10	64		lose	Previous					
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Δ.													
<u> </u>		35	76	85	184		570	1570	1575 1552		Shiver fix		p/fi

	Close	Previous	High/Low	Gold (file	ne oz)	S p	rice	£ equiva
Apr	70.2	70.5	71,6 69,9	Close		394	39412	22412-22
May	85.3	85.3	86.2 84.9	Opening	•	384	38412	2244-22
Nov	00.5	89.5	91.1 90.0	Morning	ffix	393	.80	224,712
Feb	101.0	102.0		Afterno	on fix	393	.80	224,170
Turnov	er 143 (17	72) lots of 4	0 tonnes.	Dey's h			-395 <sup>1</sup> 2 -394	
SOYAE	EAN MEA	L E/tonne						
	Close	Previous	HI <sub>Oh/Low</sub>	Coins		S p		£ equive
Apr	158.00	158.50	159.00 158.00	- Mapiele			-410	23012-23
Jun	152.00	152.50	152.00	Gritanni			410	23012-23
Aug	148.30		148.30	US End	8		410	23012-23
Turnov	er 815 (12	il lots of 2	1 toppes	_ Angel Krugern	and .	383	410	230 ½ -23 224-226
	- 0.0 (.2	-11 1049 UI Z	e annangs,	New So			-6314	5214-531
				_ Old Sov			-831	521,-531
REGI	IT FUTUR	E\$ \$10/Inde	x point	Noble P			55-663.65	310.70-81
	Close	Previous	High/Low					
eb	1518	1515	1521 1495	Strer &		ndie	16 QZ	110
Mar	1570	1570	1575 1552			Po 141		US eta e
Apı	1805	1597	1605 1590	Spot		337.		593.40
ᄖ	1438	1428	1440 1420	3 month		348.		607.55
Oct	1570	1553	1570	S month		359.		621.60
Seura .	1580	1575	1580	12 mont	15	379.	05_	<b>65</b> 1.15
Apr	1629	1623	1629					
9F1	1526	1533		_				
Turnov	or 421 (56	8)		CRUDE	ÇIL Ş/	рал	el	
2DAINS	£/tonno				_ c	lose	Previo	us High/Lo
				_ Mar		104	16.18	16.06 15
Theat	Close	Previous	High/Low	Apr • IPE Inde		5.61 5.11	15.72	15.64 15
/ar	111.75	111.7S	111.75 111.50				16.98	
Aay	115.60	115.60	115.60 115.50	Tumove	. 442	7 (37	96)	
lun	117.30	117.30	117.30 117.20			-	-	
Μp	102.95	103.05	102.95					
lov	105.40	105.50	105.40	GAS CIL	Siton	me		
		_			Close		Previous	Alleho -
larley	Close	Previous	High/Low	·	-			High/Low
lar	109,00	109.45	109.25 100.65	. Mar Apr	139.0 137.0		139.75 137.25	139.00 137, 137.00 135,
lay	110,90	111,45	111.00 110.65	May	135.0		135.25	135.25 133,
ер	100.00	100.10	100.00	Jun	133.5		133.00	133.50 132
lay	103.20	103.30	103.20	Jul	133.0		134.00	133.00 132

large		and the			HEAT	DIG OIL 4	2,000 US gd	ils, cents/L	S gels	-
cattl	e, and i	ive hogs	also saw	SOME		Latest	Previous	High/Low		
spill	over se	iling. The	grains v	were	Mar	4875	4907	.4905	4855	_
		acklustre lication o			Apr	4665	4880	4710	4845	
					Jun Jul	4400 . 4350 .	4375 4325	4445 4395	4366 4325	
Sina	er rellie	S. supplya d with tra	de bunio	repores.	Aug	4425	4370	4445	4425	
COID	mission	house el	and-cover	ring on	Sep	4485	4435 .	4485	4485	
the r	narket t	proke nes	ır-term do	wntrend	COCC	A 10 tonn	es;\$/tonnes			_
lines	in resp	onse to a	eugar r	sport		Close	Previous	High/Low		_
work	aung si dwide (	nalier (na Cocoa fir:	un expect	ed stocks	Mar	1521	1496	1580	1487	<b>-</b> .
				al buying,	May	1467 .	1449 1406	1460	1448 .	-
but f	ell back	as the m	arket fall	ed to	Sep	1437	1396	1456 1438	1412 1398	
close	BO OVE	rheed ch	artoan C	offee	Dec	1410	1371	1420	1376	٠.
lende	ed to co	nsolidate	ewsiting	fresh .	Mar.	1400	1360	1400	1380	
news	. Cotto	and ora	nge juice	were	COFFE	EE "C" 37	,500lbs; cer	ts/lbe		_
both	lower a	s trade s	elling tou	iched-off		Close .	Previous	High/Low		_
Shor	hcoveri	house se	ui stops. mfittaklar	wee	Mar	139.95	138.83	140.30	137.26	-
note	d at tow	er levels	however	The	May	132,47	130.94 128.00	132.75 129.00	130.00	
		tals close				124.85		124.86	128.00 123.65	
owe	r follow	ing earlie	r trade	.goc 10	Sep	122.85	124.77 120.74	122.85	120.50	١.,
					Mar	128.11	121.00	121.50	121.00	
					May Jul	120.99 119.74	118.88 117.63	0	0	
Ne	WY	ork			-	112.74	117.03	•	0	
					SUGA	R WORLD	"11" 112,0	00 lbe; cent	e/ibs	_
30670		oz.; Stroy o				Close	Previous	High/Low		∸.
	Close	Previous	High/Low	·	Mar	10.65	10.28	10.67	10.38	<b>-</b>
eb	394.9	396.2	396.0	395.5	May	10.74	10.44	10.76	10.51	
Ver	396.3	397.4	0	0	Jul	16.70	10.48	10.72	10.48	
un Lun	398.0 403.0	399.1 404.1	401.2 406.3	397.A 402.5	Oct	10.56 9.86	10.83 9.90	10.57 0	10.35	
\ug	408.4	409.5	410.8	409.0	Mer	10.35	10.11	10.36	10.20	
Ct	413.9	415.0	417.0	414,5	May	10.33	10.13	0	Ö	
ec ec	410.4	420.5	422.0	A10.0	_					
/pr	394.9 430.7	396.2 431.0	396.0 0	396.5 0	COTTO	ON 50,000;	cents/lbs			_
	NUM 50 to	cy oz; S/tro	y az.			Closs	Previous	High/Low		
	Close	Previous	High/Low		Mer	67.64	59.30	58.90 .	57.60	_
Aar	532.4	539.5	0	0	May	58.19 58.31	59.76 59.80.	59.25 59.35	58.15 58.25	
lpr	532.7	540.1	543.5	831.5	Oot.	57.95	5B.80		57.90	٠.
비	529.7	537.1	540.0	532.5	Dec	87.95 ·	58.70	56.40	57.76 ·	:
Oct Bo	528.9 629.9	536.6	539.0	536.0		<u> </u>				
/DL grs	532.9	537.6 540.6	637.0 <u> </u>	536.0	ORAN	ge Juice	15,000 Rbs;	cents/lbs	104	₹
HVE	8 5.000 tr	DY OZ; CÉTÎ	ultrav az.	<del></del> -	:	Close	Previous :	High/Low		<b>-</b>
	Close	Previous	High/Low		Mar	136.70	138.50	139.50	185.50	-
eb	589.1	591.7	0	0 '	May Jul	135.90 135.75	136.50	138.50	135.50 135.75	
Age	591.5	594.5	598.0	591.0 .	Sep	135.75	136.30	136,60	135.50	
ΦF	506.5	599.5	0	.0	Nov	132.75	133.10	134.10	133.00	
lay	801.7	604.7	808.0	601.0	Jen '	130.75	130.95	130.95	130.95	
ψĺ	012.3	615.3	018.0	612.0	Mer	130.00	130.40	0	0	
ec ep	622.5	625.5 640.4	644.0	637.5	May	150,00	130.40		0	, .
ec en	637.7	644.8	644.0	637.5	Jul	130,00	130.40	0	0	•
ter	662.9	655.3	656.0	655.0	-					
lay	663.3	665.7	0	0			<u> </u>	<u> </u>	<u> </u>	
OPPE	R 25,000	ibs; cente/i	bs		DEDIC				· ·	۱.,
	Close	Previous	High/Low		REUT		: Septembe	r 10 1931 ×		
ob	135.00	135.75	136.00	136.00		Feb 0	Feb 7	mnth ago	yr ago	1
lar	133.70	134.00	134.90	132.50		1975,8	1967.5	1999.7	1760.1	ı
pr	129.25	129.15	129.25	129.25	DOW.	IONES /A	sser Dec 21	1974 = 10	icii .	ı
lay	126.50	126.60	127,50	125.75	1 === "				~-	

			comis/60ib b	
	Close	Previous	High/Low	
Mer	746/0	746/0	748/0	742/4
May	756/4	757/0	758/4	753/2
Jui	763/0	762/6	765/4	760/0
Aug	768/0 733/0	759/0 733/4	760/4 737/0	755/4 733/0
Nov	717/2	718/4	722/0	733/0
. Jen	725/4	724/8	728/0	725/0
- Mer	731/0	730/0	0	0
- SOYA	BEAN OIL	60,000 lbs; e	enta/ib	
	- Close	. Previous	High/Low	, ,,,,,
Mer	21.62	21.50	21.65	21.45
May	22.14	22.01	22.17	21.97
Jul Aug	22.65	22.52	22.67	22.65
Sep	22.85 23.10	22.74	22.85 23.10	22.74
Oct	23.22	23.10	23.10	23.00 23.25
Dec	23.50	23.30	23.50	23.40
Mar	23.60 23.60	23.40	23.60	23.45
		23.40	23.55	23.65
SOTA		AL 100 tons;	\$/ton	
	Close	Previous	High/Low	
Mar	238.2	238,6	230.0	237.3
May	237.0	237.5	238.0	238,3
Aug	234.5 231.2	234.5 231.5	235.3 . 232.0	233.6
Sep	226.5	226.0	228.5	231.0 226.0
Oct	210.0	220.5	220.5	219.5
Dec Jan	217.5 218.2	217.0 217.9	218.S	217.5
			218.2	218.2
		min; cents/5		
	Close	Previous	High/Low	
Mar May	265/0 271/2	254/6	266/4	262/6
Jul	275/2	. 271/2 275/0	278/2	269/0
Seo	269/2	209/4	270/0	268/4
Dec Mar	209/4	208/4	270/0	265/4
		275/2	276/2	272/0
WHEA		min; çents/	BOID-bushel	
· ·	Close	Previous	High/Low	
Mar	425/2	428/2	428/4	422/4
Jul	424/2 404/2	427/0 407/2	426/6	423/4
Sep	409/2	412/4	406/4 411/6	403/0 409/0
Dec Mer	420/6	424/0	423/0	419/0
	424/0	425/6	425/0	424/0
TIME		,000 (be; cen	ts/lbs	
-	Close	Previous	High/Low	
Feb	73.97	75.37	74.17	73,87
. Apr	75.22 74.15	76,72	75.22	75.22
i dim	7.10			
Jun	72.17	75.65 73.67	74.10	74.15
Aug Sep	72.17 72.00	73.67 73.16	74.10 72.17	72.17
Aug Sep Oct	72.00 71.32	73.67 73.15 72.82	72.17 0 71.86	
Aug Sep	72.00 71.32 72.40	73.67 73.16 72.82 73.90	72.17 0 71.86 72.80	72.17 72.00 71.32 72.40
Sep Oct Dec- Feb	72.00 71.32 72.40 72.20	73.67 73.15 72.82 73.90 73.70	72.17 0 71.66 72.60 72.50	72.17 72.00 71.32
Sep Oct Dec- Feb	72.00 71.32 72.40 72.20 OGS 30.0	73,67 73.16 72.82 73.90 73.70	72.17 0 71.80 72.60 72.50 bs	72.17 72.00 71.32 72.40
Aug Sep Oct Dec Feb	72.00 71.32 72.40 72.20 IOGE 30.0 Close	73.67 73.16 72.82 73.90 73.70 90 kr. cents/i	72.17 0 71.66 72.60 72.50	72.17 72.00 71.32 72.40
Aug Sep Oct Dec Feb	72.00 71.32 72.40 72.20 IOGE 30.0 Close 41.90	73.67 73.16 72.82 73.90 73.70 90 kr. cents/i Previous 42.60	72.17 0 71.89 72.80 72.50 bs High/Low 42.50	72.17 72.00 71.32 72.40
Aug Sep Oct Dec Feb LIVE M	72.00 71.32 72.40 72.20 IOGE 30.0 Close 41.90 41.80	73.67 73.16 72.82 73.90 73.70 90 km centa/i Previous 42.60 42.30	72.17 0 71.89 72.80 72.50 bs High/Low 42.60 42.10	72.17 72.00 71.32 72.40 72.20
Aug Sep Oct Dec Feb LIVE #	72.00 71.32 72.40 72.20 IOGE 30.0 Close 41.90 41.80 46.32	73.67 73.15 72.82 73.90 73.70 90 kr. cents/i Previous 42.60 42.30 47.32	72.17 0 71.60 72.60 72.50 bs High/Low 42.60 48.90	72.17 72.00 71.32 72.40 72.20 41.85 41.56 46.20
Aug Sep Oct Dec Feb LIVE M Feb Apr Jun Jun	72.00 71.32 72.40 72.20 10GE 30.0 Close 41.90 41.80 46.80 45.86	73.67 73.16 72.82 73.90 73.70 90 km centa/i Previous 42.60 42.30	72.17 0 71.80 72.80 72.50 0s High/Low 42.10 42.10 48.90 47.00	72.17 72.00 71.32 72.40 72.20 41.85 41.56 46.20 48.32
Aug Sep Oct Dec Feb LIVE H Feb Apr Jun Jun Aug Oct	72.00 71.32 72.40 72.20 IOGE 30.0 Close 41.90 41.80 46.32 46.85 45.86 43.20	73.67 73.16 72.82 73.90 73.70 00 kr. cents/i Previous 42.60 42.30 47.32 47.52	72.17 0 71.60 72.60 72.50 bs High/Low 42.60 48.90	72.17 72.00 71.32 72.40 72.20 41.85 41.56 48.32 45.76
Aug Sep Oct Dec Feb LIVE M Feb Apr Jun Jur Aug Oct Dec	72.00 71.32 72.40 72.20 10GE 30.0 Close 41.90 41.80 46.92 46.80 45.86 45.86 44.77	73.67 73.16 72.82 73.90 73.70 00 kr. centa/i Previous 42.60 42.60 42.32 47.52 45.90 45.75	72.17 9 71.86 72.50 72.50 72.50 bs High/Low 42.60 42.10 46.40 47.00 46.40 45.40	72.17 72.00 71.32 72.40 72.20 41.85 41.55 46.20 48.32
Aug Sep Oct Dec Feb LIVE in Feb Apr Jun Jun Aug Oct Dec Feb	72.00 71.32 72.40 72.20 Close 41.90 41.90 46.82 46.60 45.85 43.20 44.77 48.00	73.67 73.16 72.52 73.90 73.70 90 lk; cents/i Previous 42.30 47.32 47.32 45.90 43.97 45.97 45.40	72.17 0 71.89 72.89 72.50 bs High/Low 42.10 48.90 47.00 46.40 43.70 46.40	72.17 72.00 71.32 72.40 72.20 41.55 41.55 48.32 48.75 48.76 48.00
Aug Sep Oct Dec Feb LIVE in Feb Apr Jun Jun Aug Oct Dec Feb	72.00 71.32 72.40 72.20 72.20 10GE 30.0 41.50 41.50 45.55 43.20 44.77 48.00	73.67 73.16 72.82 73.90 73.70 00 kr. centa/i Previous 42.60 42.60 42.32 47.52 45.90 45.75	72.17 0 71.89 72.89 72.50 bs High/Low 42.10 48.90 47.00 46.40 43.70 46.40	72.17 72.00 71.32 72.40 72.20 41.55 41.55 48.20 48.37 48.76 48.76 44.70
Aug Sep Oct Dec Feb LIVE in Feb Apr Jun Jul Aug Oct Dec Feb	72.00 71.32 72.40 72.20 Close 41.90 41.90 46.82 46.60 45.85 43.20 44.77 48.00	73.67 73.16 72.52 73.90 73.70 90 lk; cents/i Previous 42.30 47.32 47.32 45.90 43.97 45.97 45.40	72.17 0 71.69 72.80 72.50 bs High/Low 42.60 42.10 46.40 45.40 45.40 45.40 46.00 mts/fb	72.17 72.00 71.32 72.40 72.20 41.55 41.55 48.20 48.37 48.76 48.76 44.70
Aug Sep Oct Dec Feb LIVE II Feb Apr Jus Aug Oct Dec Feb PORK	72.00 71.32 72.40 72.20 72.20 10GE 30.0 41.50 41.50 45.55 43.20 44.77 48.00	73.67 73.16 72.82 73.90 73.70 73.70 73.70 73.70 742.60 42.30 42.30 47.32 47.32 46.80 43.97 45.75 45.40 80,000 bes, or	72.17 0 71.69 72.80 72.50 bs High/Low 42.10 42.10 45.40 45.40 45.40 45.40 High/Low	72.17 72.00 72.40 72.40 72.20 41.55 41.55 48.20 48.20 44.76 48.00
Aug Sep Oct Dec Feb LIVE in Feb Apr Just Aug Oct Dec Feb PORIK	72.00 71.32 72.40 72.20 72.20 72.20 72.20 72.20 41.80 41.80 41.80 45.85 43.20 44.77 44.77 46.00 BELLIES Ciose 37.57	73.67 73.16 73.16 73.82 73.90 73.70 700 lkr cents/1 Previous 42.30 47.32 47.82 46.90 43.97 45.75 45.40 10,000 lbs; or Previous 38.30 38.32	72.17 0 71.69 72.60 72.50 bs High/Low 42.10 48.90 47.00 46.40 45.40 45.40 45.40 High/Low 38.07	72.17 72.00 71.32 72.40 72.20 41.85 41.85 48.20 48.32 48.75 48.00 44.70 48.00
Aug Sep Oct Dec Feb LIVE II Feb Apr Jun Aug Oct Dec Feb PORK	72.00 71.30 72.40 72.20 72.20 72.20 72.20 72.20 41.90 41.90 46.92 46.60 45.86 45.86 44.77 49.00 8ELLIES Close 37.57 37.57 38.30	73.67 73.16 73.16 73.20 73.70 73.70 73.70 73.70 742.60 42.30 42.30 47.32 46.90 43.97 45.75 45.40 77.90 77.90 79.90 70 70 70 70 70 70 70 70 70 70 70 70 70	72.17 0 71.69 72.80 72.50 bs High/Low 42.10 42.10 45.40 45.40 45.40 45.40 High/Low	72.17 72.20 71.32 72.40 72.20 41.55 46.20 48.32 48.75 48.00 44.70 48.00
Aug Sep Oct Dec Feb LIVE II Feb Apr Jun Aug Oct Dec Feb Mar Mar May Jul	72.00 71.32 72.40 72.20 72.20 72.20 72.20 72.20 41.80 45.85 45.85 45.85 45.86 46.86	73.67 73.16 73.16 72.82 73.90 73.70 00 lk; cents/1 Previous 42.60 42.30 47.32 47.32 47.82 46.80 43.97 45.75 46.40 80.000 lbs; ce Previous 38.30 38.32 39.17	72.17 0 71.69 72.60 72.50 bs High/Low 42.10 48.90 47.00 48.40 45.40 45.40 45.40 45.40 45.70 75.87 38.77 38.75	72.17 72.00 71.32 72.40 72.20 41.55 46.20 46.32 45.75 43.00 44.00 37.36 37.15 38.00 38.70
Aug Sep Oct Dec Feb LIVE in Feb Apr Jun Aug Oct Dec Feb Mar May	72.00 71.30 72.40 72.20 72.20 72.20 72.20 72.20 41.90 41.90 46.92 46.60 45.86 45.86 44.77 49.00 8ELLIES Close 37.57 37.57 38.30	73.67 73.16 73.16 73.20 73.70 73.70 73.70 73.70 742.60 42.30 42.30 47.32 46.90 43.97 45.75 45.40 77.90 77.90 79.90 70 70 70 70 70 70 70 70 70 70 70 70 70	72.17 0 71.69 72.80 72.50 bs High/Low 42.10 45.40 45.40 45.40 45.40 46.00 High/Low 38.07 37.87 38.07 38.07	72.17 72.00 71.32 72.40 72.20 41.85 41.85 48.32 48.72 48.70 44.70 48.00

#### **LONDON STOCK EXCHANGE**

## Equities turn weaker in late trading

A SOMEWHAT confused trading session saw UK equities beginning to run into the widely-predicted correction in late dealings, when London turned sharply downwards: despite a mid-session rally on Wall Street. Traders reported growing signs of nervousness, with some market makers offering to trade for the new equity Account, which opens on Monday, at a nil premium, which appeared to reflect a bias towards "new time" selling orders.

Dealers were also "intrigued by what will happen on Monday morning, when the changes in Seaq share reporting come into effect," to quote

Accoun	et Dealing	Dates
"First Dealings: Jez 30	Feb. 13	Feb 27
Option Deciarut	Feb 28	· Mar 9
Last Dealings: Feb 10	Feb 24	Mar 10
Atuestal Day: Feb 20	Mar 6	Mar 30
Now Time deal	age stay take street days to	

one US trading house. Large deals will then go unreported until the following day, helping market makers to unravel share positions without alert-The market's rejection of Wall Street's lead at the and of the session contrasted with its

earlier behaviour, London

opened sharply down after New York had given ground overnight. But the fall of 13 FT-SE points was recouped quickly and the market was trying to edge higher until international traders scented a lower opening on Wall Street ahead of President Bush's Budget address. UK equities joined in heartily when New York opened on the downside, but refused to join in when prices steaded on the other side of

the Atlantic.
The final slide left the FT-SE Index 17.1 points down at 2079.1, with the 2,100 mark, a chart hurdle, slipping further from the market's grasp. The erratic performance of

Equity Shares Traded

Turnover by volume (million)

Dec

share prices bore witness to aggressive price changes at the market making houses rather than to institutional activity. Many funds are believed to regard UK equities as over-bought for the present, and the inability of both Wall Street and the London market to surmount important chart levels has further encouraged caution.

shares, against Wednesday's 830.9m, remained high and was once again boosted towards the end of the session. Selling pressure was highly selective and fell mostly on the more speculative of the domes-

tic stocks. Losses in the inter-

in the shares. Turnover totalled 5.2m. Talk in the mar-

ket continues to suggest that a consortium bid for the group is in the process of being put

together by a merchant bank and that the Grove Charity

Trust has again been made an offer for its 35 per cent stake in

the company.

There was also talk that dealers were picking up lines of stock in other leading house-builders and construction

stocks to help reduce their exposure to any predatory move against one of the top

buildings firm.

John Laing stock, well supported recently were said to be

in this category with the ordi-

nary up 11 more at 354p and the "A" up 11 at 365p.

Hosiery supplier Glamar scared 39 to 124p after appoint-ing Mr Stephen Barker, the for-

mer head of food distributor Albert Fisher, chairman and

chief executive, and announc-

ing a £2.65m rights issue. The cash call will leave Barker in

control of 29.9 per cent of Gla-

tronics was lower with the

market although there were

exceptions in Amstrad, up a

exceptions in Amstrad, up a further 4½ to 178½p as short selling was squeezed ahead of next week's interim figures. The Racal twins weakened in tandem with the Electronics company 7 lower at 345p on 24m and Racal Telecom 12

3.4m and Racal Telecom 12

lower at 271p; the Racal Tele-

coms share price fell to a dis-

count to the ADR quotation for tha first time since its launch

last year, dealers said, indicat-

ing the deep well of US buying interest in the issue had finally

year in TACE gathered pace and the shares, around 155p early last month, surged for-ward to close 12 up at 213p. Marketmakers spoke of decent

volume with one particular

house an aggessive buyer of

to appeal and rose 9 further to 485p while Telfos, which sold its stake in Hicking Pentecost

earlier this week, gained 5 more to 203p. News that Stew-art Ivory had bought 8.43 per cent of the convertible prefer-

ence stock, raised Beauford ordinary 5 to 210p. A flurry of late buying forced Laird up 11 further to 263p.

William Low were a feature among mixed Foods, climbing 6 against the trend to 274p on

the news that New Zealand entrepreneur Mr Ron Brierley

had increased his stake to 10

Edible oil and fats manufac-

Edible oil and fats manufac-turer Acatos & Hntcheson maintained Wednesday's good form — the shares are up 14 per cent in just two days — to close 7 firmer at 217p on talk of a management buy-out. Mr Carl Short of Kitcat & Aitken thinks a huy-out unlikely just

The rise since the turn of the

dried up.

the stock.

The overall trend in the elec-

Seaq volume of 830.1m

national, dollar-earning issues, which are regarded as defen-sive plays if US interest rates move higher, were mostly small, ICI, Glaxo and BOC gave back less than 10p of their recent gains. The UK market has enjoyed

a honeymoon this week, with little significant economic data to test it. Today, however, brings Wall Street's response to the Bush Budget address, and next week the latest UK retail sales, average earnings and retail price data. Monday also sees the opening of the corporate reporting season, in which comment on current trading could significantly affect market sentiment.

now, but regards the stock as attractive due to its recent underperformance

Trusthouse Forte were actively sought, climbing 9 to 291p on impressive turnover of 14m. The shares, which have lagged behind the market of late, go ex-dividend next week and there was some strong new Account buying reported by dealers. by dealers.

Allied Lyons had an interesting day, the shares initially falling 7 points on a story that the company was ready to buy Mr Alan Bond's 10 per cent stake. The speculation was sparked by news of a £150m debenture issue, which some thought might be put towards buying out Bond. However, the company does not have permission to acquire its own stock and Allied shares rallied to close 4 easier at 479p.

The false hopes that Allied would buy out Bond lifted Lonrho sharply higher; dealers thought that Bond might use the money from the sale to his 21.5 per cent holding in Lon-rho. By the close Lonrho had settled at 357p, up 6 on the day.

A strong recommendation from Hoare Govett drew attention to AAH Holdings. The research team at the securities house believes the potential of Meditel, AAH's new healthcare venture, is largely unrecognised. Coupled with scope for a recovery in pharmacentical wholesaling, the group should experience an acceleration in earnings growth in the early 1990s. "With such a prospect in hand, the shares look distinctly undervalued", they say. AAH closed 28 higher at 377p. BET defied the general trend, rising 268p on the pro-posals to issue \$500m of prefer-

ence stock in the US, the first

| Marie Casing US75 | Mari EP
British Sted
British Friedman
British Friedman
British Oil
British
Cable & Wireless
Cable & Wireless
Cable & Wireless \$150m tranche of which will be used to refinance existing US debt. The remainder will enable the group to fund expansion and embark on a huy-in programme, approval for which is being sought from

shareholders. Eurocopy responded to the £14.2m purchase from Sketchley, to be financed by the issue of 9m new shares at 100p each, rising 5½ to 113p. Havelock Europa bounced hack 11 to 188p, regaining most of the fall which followed Wednesday's resignation of the managing

Rank Organisation showed little sign of faltering, although talk of an impending acquisition gave way to speculation that the group was being stalked by an overseas preda-tor. The shares rose 12 more to

902p. Chamberlain & Phipps

shot 43 higher to 197p on the share exchange offer from

FINANCIAL TIMES STOCK INDICES

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●2 punt

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TRADING VOLUME IN MAJOR STOCKS

89.29

43,973 1500.88 47,462

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DAYS LOW 1700.4

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●Opening ●10 am. ●11 am. ●12 pm. ●1 pm. 1705.6 1708.2 1713.5 1713.3 1713.9

Basis 100 Govr. Secs 15/10/26, Fixed Int. 1928, Ordin Gold Mines 12/8/55, SE Activity 1974, ANII 11.25 tE

Government Secs

Fixed Interest

Gold Mines

Ord. Di. Yield Earning Yid %(full) P/E flatio(Net)(\(\pi\)) SEAO Bargains(5pm) Equity Turnovar(Em)†

DAY'S HIGH 1717,4

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(25/5/28)

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Indices

Gift Edged Bargains

- Day average

(8/2/88) (16/7/87) (26/6/40)

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(3/1/89) (15/2/83) (26/10/71)

Feb.8

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S.E. ACTIVITY

London Report and lates

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Tare & Lyte

Brent Walker shares opened on a relatively sedate note but suddenly ran into to a snstaihned bout of selling pressure, partly caused, dealers said, by comment on the purchase of a 10.8 per cent stake in TV-am' at the close Brent Walker shares were down 12 at

Front-runners of the recent advance in Paper/Printings were beset by profit-taking. Reed International falling 11 to 449p and United Newspapers retreating 14 to 449p. Specula-tion of a transatiantic bid aronsed support of St. Ives, up

13 at 243p. Properties were mostly lower with the market, although Greycoat managed to rise 6 to 484p amid predictions of an imminent large West End dis-

Courtaulds ran back late. closing 91/2 down at 3041/2p, as rumours swirled of sacurities house Hoare Govett having reduced its forecast of next year's profits from £215m to £200m.

Trusthouse Forte and British Petroleum enlivened dealings in traded options. Trusthouse Forte, which goes ex-dividend on Monday, attracted 5,174 call contracts and 265 puts. BP which was particularly heavily traded late in the day, found calls of 2,616 and puts of 2,223. Overall business came to 44,037, including 22,573 calls.

Other market statistics. including FT-Actuaries Share Index and London Traded Options, Page 26

### Another test for Wellcome

The pharmaceuticals group Wellcome, which markets Retrovir, the anti-Aids drug, came under pressure early yes-terday after Nature, the scien-tific journal, reported further developments involving CD4, the potential anti-Alds treatment researched by Genentech of San Francisco. The shares steadied later but were still sharply lower, although Lon-don analysts doubted whether CD4 presents a threat to Retro-vir, Wellcome's product.

The initial markdown in Wellcome shares to 480p came largely in pre-market deals and represented the immediate reaction on trading desks to references in the UK morning press to the Genentech stories Later, after City analysts had addressed their morning meetings, selling slackened and by 487p, a fall of 22 on the day on substantial turnover of 3.9m

BZW, a major London securities house, maintained their "buy" rating on Wellcome after Steve Plag and Mr Jonathan de Pass, pharmaceuticals analysts, said CD4 was more likely to be used, "in combination" with Retrovir.

#### Dixons resilient Dixons, the subject of con-

10010

sistent bld speculation in recent weeks, showed remarkable resilience after both Smith New Court and Hoare Govett-lowered their profits forecasts for the electrical retailing group. At one stage the shares, were 6 lower, but by the close they had recovered to stand just 2 easier at 161p on turnover of 11m shares. The slow-down in consumer spending has hit electrical retailers hard, and after meeting with the company on Wednesday Smith has gone down to £82.5m for year-end April 1989 and £90m for 1990, while Hoare bas plumped for £84m and £85m

respectively.

The performance of Dixons shares since the New Year, said dealers, has shown that investors are willing to ignore the poor trading news and hold the stock on purely bid grounds. This sentiment was echoed by a senior stores analyst: On fundamentals they're overvalued, but as the leading electrical company in the UK with a good presence in Europe and the US they're remarkably cheap for any prospective hid-der. Boots has been fre-quently named as a possible predator, and well-informed observers have indicated that a

Changes at

C.I. Group

finance director - he was with

formerly managing director of Cooper Lench (Precision

Engineering), which has recently been sold, becomes

Moores & Rowland, the group's auditors. Mr David Taylor,

commercial director of Redman Modular Systems. Mr Richard

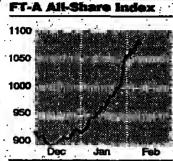
Lench, formerly a director of

Cooper Lench, has been appointed managing director of Superb Tool & Guage Co. Mr Graham Morris has been

appointed production director

of Clews Bros. Mr Duncan

Underhill has been made production director of J. & F.



major UK acquisition, possibly in the electrical or household goods sector, could be in the pipline. A price of 225p has been touted in the market as the likely opening shot for Dix-

#### Pearson falls

The effects of the latest deal with Elsevier, the Dutch pub-There was little interest in

the marketplace, however, with turnover amounting to only 674,000 shares. After resisting early attempts to react, the Pearson share price succumbed to the downturn affecting the wider market and settled near the session's low-est. Maxwell Communication, owners of Bishopsgate IT, rose

Our comment on ICI in Thursday morning's edition failed to stress that Hoare Govett considers the shares under-valued on the basis that the current rating is discounting far too bearish an outlook. Mr Mike Lewis, one of the chemicals team at Hoare, fore-

lishing house, eventually brought duliness to shares of Pearson which closed 29 down at 714p yesterday. The vendor placing of some 11m shares at 715p each, necessary to finance the £78.3m purchase of Bish-opsgate Investment Trust's 7 per cent stake, went very well and was completed, said the UK group's advisors.

chemicals team at Hoare, fore-casts pre-tax profits of £1,480m from ICI, when 1968 results are announced on February 23.

ICI shares mirrored the mar-ket trend yesterday, slipping to 1218p in early trading, rallying later to 1224p before closing at 1221p, a net 5 down on the day.

#### Turnover was modest at L7m

The leading internationals gave back a few pence of the substantial gains scored over the past month, but selling pressure was patchy and not usually on any great scale.

Jan

The life assurance, heavily hought in recent sessions, ran into a wave of selling pressure. Prudential, tha top-quality stock in the sector and strongly promoted recently by many of the leading securities houses, attracted some hefty selling pressure which included a single sale of 2.5m shares at 173p. But the reaction of at least three houses was that the stock now represented excellent value at these levels. Turnover in Pru approached the 9m mark,

Keen huying of the shares ahead of the special dividend failed to prevent Abbey Life slipping away to close a net 5 off at 320p. Dealers said a "switch" move involving Legal & General turned into a straight "sell" and left Legals 7 lower at 335p. The Adelaide Steamship

stake-switching speculation initially pushed Commercial Union up to 402p before a subsequent close of 398½p, a shade up on the day, but left Royals 9 lower at 434p; the Adsteam holding in Royals was last notified as just over 6 per

Hogg Robinson Gardner

#### NEW HIGHS AND LOWS FOR 1988/89

PREW HIGHE (178).

BETTERN FLRICE (4) Trees. 5½ pc 2008-12.
Do. 7 % pc 2012-15. Conv. 3 % pc 201 AR.
Trees. Spc 198 AR., AMERICANE (7)
Bethebern Sheel, BANKS (7) Rothschild (1), BROWERS (1) BINCONWOOL BETWW.
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LEBRURE (5) European Lale., Fairfile Bosts, HTV Ord., Radio Glyde, Sage Grp., MOTORS (4) Pleaton, Airflow Streamfines, Cartical Motor Auctions, Western Motor, New 1987-1988 (5) Adeceme, Blembeins Exhibits, Bristol Eve. Post, Musterfine, PAPERS (3) FIRE, Norton Opex, Watmoughs, PROPERTY (5) SHEPPING (5) Gardon (Horzes), Grady Shipping, Tiphook, Turrbull Soots, SOUTH AFRICANS (1) Bardon (Horzes), Grady Shipping, Tiphook, Turrbull Soots, SOUTH AFRICANS (6) BOARD (1) Property (5) BARTATOMS (2) Harrisons Ally, Pl., Williamson, MEMES (4), TRUBERS (5) Polly Prek Intl., Do. Spc Lin, Sime Durity, FLAMTATOMS (2) Harrisons Ally, Pl., Williamson, MEMES (4), Shapen (5) Polly STORIES (7) Field (Jara) Inc., ELECTRICALS (2) Cray Elmone, Alphanaek, MOUSTRIALS (2) Cray Elmone, Alphanaek, MOUSTRIALS (2) Sharp & Law, Do. 8/2 pc Cv. Pri., TEXTELS (3) Hagges (John), Smallahaw (4), TRUBERS (7) Ret. Home Learns, MINES (8) Durban Does, Elsbarg, Western Areas, Joel (H.J.), Gold, Branswick.

Staniland becomes director

manager. Mr Alex Barras, southern regional manager

of legal services; and Mr Don

Walker, director and personnel

also joins the board of Balfour

Mr Robin Johnson has been appointed chief accountant for THE UK GROUP, which

includes UK Life Assurance and UK Unit Trust Managers.

He was with the Willis Faber

Corcoran is to be GUARDIAN

ROYAL EXCHANGE's life

From May Mr David

Beatty Homes division.

The companies are part of the BICC Group.



## The FT City Seminar

Plaisterers Hall, City of London 20, 21 & 22 February, 1989

This three-day Seminar provides an overview of the traditional operations of the City of London together with an examination of its newer markets and activities. Speakers will include:

Win Bischoff

Bank of England

Mark Boléat

Director-General

Chairman J. Henry Schroder Wagg & Co. Ltd

Philip Warland

Head of Information Division

Martin Hall Director of Policy and Planning The Securities Association

assistant general manager. He was manager of the life department. FIL INFORMATION TECHNOLOGY has appointed Mr Michael J. O'Riordan as group managing director. He joins from Unisys, where he was UK marketing director.

Mr Martin Palmer has been appointed sales and marketing director of WADLOW GROSVENOR INTERNATIONAL. Mr Rodney Prior has been appointed

■ APKILS GROUP, shopfitters, has appointed five associate

financial director.

directors: Mr Trevor Jones, Mr Mike Coe, Ms Marj Cude, Mr Terry Freeman and Mr

marketing director of Laconite

as director, head of research. He was director and chief



been appointed managing director of NEL PERMANENT HEALTH INSURANCES, part of the NEL Britannia Group. He remains appointed actuary Michael Fowle Senior UK Banking & Finance Partner

Robin Hutton Director-General British Merchant Banking and Securities Houses Association

Peat Marwick McLintock

Richard Kilsby Managing Director Capital Markets Division Charterhouse Bank Limited

Management Ltd

Max Hopfl Joint Managing Director Fleming International Investment John Plender Leader and Feature Writer Financial Times

Keith Woodley Partner Deloitte Haskins + Sells

John Matthews Executive Director County NatWest Limited

David Malcolm Deputy Group General Manager Royal Insurance Holdings plc

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## The FT City Seminar

Position			
Company			
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■ Dr Mike Cannell and Mr Caspar Weston have been appointed to the board of SUMIT EQUITY VENTURES.

■ Yule Catto has appointed Dr John Key as chief executive of REABROOK. He was managing director of BP

E CARBO has appointed Mr Martin R. Sanderson, finance director of the group's UK operation, as group financial controller. Mr David Roughley, operatal manager resus. C.I. GROUP has made the following changes. Mr Graham Davies, managing director of J. & F. Pool, becomes managing director of Bipel in succession to Mr Albert Hargreaves, recently appointed group chairman. Mr Granville Godbert has been appointed managing director of Bromford Iron & Steel Co., in succession to Mr Rob Yates, who becomes executive chairman; Mr Andrew Johnson is made finance director - he was with general manager resins, Carborundum Abrasives,

G. Williams all become directors, Mr Ian Carroll, managing director of Balfour Beatty Power, continues as chairman. Mr W. John Muirhead, of BB Power, also joins the board. A new company has been formed BK Cables - with Mr David Colledge and Mr David F. Lawler as directors, joined by Mr Carroll, Mr Jones and Mr McCulloch.

subsidiary Young's Paraffin Light & Mineral Oil Co. Hill has been appointed director and general manager of Clarke Homes division, and joins the board of Balfour Beatty Homes. Mr Jan O'Connor has been appointed finance director; Mr Richard

APPOINTMENTS

becomes managing director of the group's injection moulded plastics subsidiary, Colwyn Plastics.

BALFOUR KILPATRICK
has appointed Mr R. Alan
Jones as managing director.
Mr Alan R. Cussen, Mr John
Dunwoodie, Mr Jack L. Judge,
Mr Bobert Lundy, Mr Richard
R. McCulloch and Mr Brian
C. Williams all become

Balfour Beatty has appointed Mr Ron Cox, formerly director and general manager of Clarke Homes division, as executive director of Balfour Beatty Homes. He takes over from Mr David Cawthra, group managing director, who continues as chairman of Balfour Beatty Homes. Mr Mike Diffin becomes director and general manager of Balfour Beatty Homes division, and joins the board. Mr Ray

RAM BATHROOMS has appointed Mr Peter Leaman as sales and marketing director. He was sales and MITSUBISHI FINANCE

INTERNATIONAL has appointed Dr Brendan Brown international economist, debt securities, County NatWest.

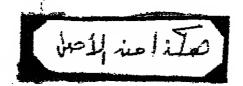
WORCESTER PARSONS has appointed Mr Mark Dicken as director and general manager of subsidiary Brass Arteraft (B'ham).



## FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your tree Unit Trust Code Booklet ring the FT Cityline help desk on 07-925-2128

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### FINANCIAL TIMES FRIDAY FEBRUARY 10 1989 35 FT UNIT TRUST INFORMATION SERVICE Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2126 +5.0 +3.0 ter Aspurance (2) ny Bhá, Milton Kepte Mic9 200 2000 Pixel in Pars Ser 3... \$24.7.9 Property Pers Ser 3... \$24.1.1 Property Pers Ser 3... \$24.3 Deposit Pers Ser 3... \$24.4 Property 7.77.2 Biomedicinal Assertance 21.7 Biomedicinal Pers Ser 3... \$25.4 Property 7.77.3 Biomedicinal Pers Ser 3... \$25.3 Deposit Ser 0202 752000 104.0 46.2 66.0 177.7 107.6 156.6 100.5 524.3 94.1 320.1 111.0 031-225 8494 -0.1 -0.8 -0.4 OTHER UK UNIT TRUSTS ₩] 1001 MGM Assurance(z) 258.5 538.1 120.0 135.4 297.3 275.9 126.8 798 +0.2 +0.1 +0.5 +0.7 +0.7 0306 887766 104.0 441.7 86.7 175.8 195.6 193.0 1 Edinburgh Food Magra PLC Select Portfolio. 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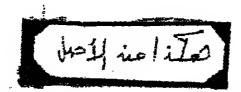
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## FINANCIAL TIMES FRIDAY FEBRUARY 10 1989 FT UNIT TRUST INFORMATION SERVICE LONDON SHARE SERVICE The second control of FOREIGN BONDS & RAILS **BRITISH FUNDS** BRITISH FUNDS - Contd | DRL | 1.50 | Fore | 1.50 | Part | | 1.50 | P **AMERICANS** Price + or Bly | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | Management International (Jersey) Ltd. Anchor Gitt Edge (d......) £9.86 9.9141 +0.02 (d.90 Meritherranean Fand CSEAV: NAV Feb 7. RAV Feb 7. RAV Feb 7. Revisit Lymch Int Capital Mange (8537) Lid Note: Portrible. M. S. O'shore Read. S. L. 42 1.04 M. S. O'shore Read. S. L. 42 1.04 M. S. O'shore Read. S. L. 42 1.04 All Funds deal dolly except where inflicated. All Funds deal dolly except where inflicated. All Funds deal dolly except where inflicated. American Equity ints... (2.277 1.370 -0.001 1.93 S. May Cornello, 10.001 1.033 -0.001 1.05 S. May Cornello, 10.001 1.033 -0.001 1.05 S. May Cornello, 10.001 1.001 1.001 1.001 S. May Cornello, 10.001 1.001 1.000 1.001 S. May Cornello, 10.001 1.001 1.000 1.001 S. May Cornello, 10.001 1.001 1.000 1.001 S. S. May Cornello, 10.001 1.001 1.000 1.001 S. S. May Cornello, 10.001 1.000 1.001 S. S. May Cornello, 10.001 1.000 1.000 1.000 1.000 S. S. May Cornello, 10.001 1.000 1.

#### LONDON SHARE SERVICE

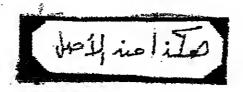
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	LONDON SHARE SERVICE	Share Code Booklet ring the FT Cityline help deek on 01-925-2128
AMERICANS — Contd  1983/67   High Law   Sizet   Frice   - w   Bir   Cw   Gris   1988/89   Contd   1988	ELECTRICALS  ENGINEERING — Contd  1/09   Stack   Price   Net C m End p   Price	INDUSTRIALS (Miscel.) - Contd   INDUSTRIALS (Miscel.) - Contd   Industrial   Indu
22: 4 b-peabot Energy Gerp. 12 bp. 144 88 1; 74 mer. Surruk Res. 111; 44 99 291 Michalpire (Alfred). 3 345 46 11 3.11 5.9 7.4 469 100; 2 bp. Amer. Lightware 1 12; 44 99 291 Michalpire (Alfred). 3 345 46 11 3.11 5.9 7.4 469 100; 2 bp. Amer. Lightware 1 12; 44 99 291 Michalpire (Alfred). 3 345 46 11 3.11 5.9 7.4 469 100; 2 bp. Amer. Lightware 1 18; 45 45 100; 3 k. Mentreal 1 14; 45 104; 3 k. Mentreal 1 14; 5 10; 3 k. Mentreal 1 18; 5 10; 3 k. Mentreal 1 18; 5 10; 3 k. Mentreal 1 18; 5 10; 5	AisSoriand inti line. v 78	INDUSTRIALS (Miscel.) - Contd   INDUSTRIALS (Miscel.) - INDUSTRIALS (Miscel.) - Contd   INDUSTRIALS (Miscel.) - INDUSTRIALS (Miscel.) - Contd   INDUSTRIALS (Miscel.) - Contd   INDUSTRIALS (Miscel.) - INDUSTRIALS
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Address	177   Microgis Ridos, 5.4, V   231.4   47   6.5   6.3   6.3   6   117   66 Danlet C. 9.5   5.4, V   1.5   2.3   4.8   12.4   82   39 Eapland   J. 95   V   17.3   4.8   12.4   82   39 Eapland   J. 95   V   17.3   4.8   12.4   12.1   12.5   12.5   3.1   4.2   10.0   10.0   12.5   12.5   12.5   3.1   4.2   10.0   10.0   12.5   12.5   12.5   12.5   3.1   4.2   10.0   10.0   12.5   12.5   12.5   12.5   3.1   4.2   10.0   10.0   12.5   1	528 30 Eng. China Clays. of 512 -3 17.5 2.5 4.6 11.8 68 33 Januaris 10.0
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## The state of the s 1 ( M ( 1 2 6 ) - Con LONDON SHARE SERVICE ■ Letest Share Prices are evaliable on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128 NEWSTAPES, PRINTING PAPERSTRING PAPERSTRIN MINES - Contd TRUSTS, FINANCE, LAND-Contd OIL AND GAS-Contd TEXTILES—Contd 25ktyer Hitam Sett. 67 Severa Hitam Sett. 67 Severa Hitam Sett. 67 Severa Hitam Sett. 50 June 121: 9. 27 Malaysia Mag. 10c. 110 Petalima Sett. 65 Sungel Best SMI. 90 Tanjong 150. 95f Tronch SMI. 40 .... \$1053.3 0.7 2 77 -1 \$0100 1.4 : 83 -1 \$103.5 4.2 1.2 120 \$256 4.2 1.2 120 \$270 1.2 150 \$20 \$10250 1.0 3.5 55 \*130 63 111 64 150 150 150 **OVERSEAS TRADERS** 573 399847 last of 554-10 176 9 2 6 4 0 10 3 01598781 lbs 174 pts 998 90111 022 9 2 6 111 1 2 5 523 340898888 12 19 of 517 41 110.0 3 9 2 6 112 5 TRUSTS, FINANCE, LAND 1968/87 Stact. Price - Not Christin **PLANTATIONS** THIRD MARKET Price - Net Car Gra 1200 10.0 3.7 1.1 226 45.0 1.1 2.3 200 3.0 1.0 2.0 430 +10 20.0 1.9 3.2 Eastern Rand Rand 107 -1 F011 1.5122 108 -1 1816-9 2011.0 of security names: n Atpha, β Beta, 1816-9 2011.0 if security names: n Atpha, β Beta, 1816-9 2011. Far West Rand

CROSSWORD

No.6,857 Set by DINMUTZ

#### CURRENCIES, MONEY AND CAPITAL MARKETS

#### FOREIGN EXCHANGES

## Uncertainty undermines dollar

currency markets yesterday as investors adjusted positions prior to the release of details on the US budget. Early trading was confined to a narrow range as traders failed to overcome upward resistance, mainly on fears of renewed central hank intervention.

Consequently, a few sellers started to emerge, and after bouncing up from support at DM1.8580, the US unit fell away to a low of DM1.8545 - the softer tone aggravating stop loss selling. However the dollar came back to finish at DM1.8590, although this was still well down from DM1.8720 on Wednesday. The US unit was also lower against the yen at Y128.50 from Y129.65. Else-where, it finished at SFr1.5790 from SFr1.5905 and FFr6.3275 compared with FFr6.3700. On Bank of England figures, the dollar's exchange rate index fell from 67.5 to 67.2.

The dollar's weakness is regarded as a short-term tech-nical phenomenon, based on a number of overbought posi-tions. This encouraged some investors to turn their atten-

tion towards high yielding cur-rencies such as sterling.

The pound benefited from the dollar's decline, but lost ground against most of its European trading partners. A growing perception that UK

				_	
Feb	.9	Late	R		Previous Close
Spot.		1.7560-1 0.48-0	7570		30-1.7440 49-0.47pr
3 month	S	1.39-1	36pm	1	40-1.37pr 85-3 750s
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Special** Drawing Rights	European Carrency Link
0.750637 1.30701 1.54892 17.2194 51.2242 9.51830 2.44738 2.76302 8.32761 1.784,66 1.69,258 8.84323 1.52,159 8.30474 2.08207 203,488 N/A	0.639264 1.12255 1.32741 14.6751 43.7176 8.11209 2.08626 2.35578 7.10068 1521.22 144.203 7.546.33 129.677 7.09170 1.77363 173.681 0.781501
	Special* Drawing Rights  0.750637 1.30701 1.54892 17.2194 51.2642 9.51830 2.44738 2.76302 4.4738 8.32761 1784.66 169.258 8.84323 152.159 8.30474 2.00207 203.488

Curri	ency	MO	/震	RENI	\$
Feb.9		Bank of England Index		Morgan <sup>o</sup> Guarant Changes	,
Sterling U.5 Dollar Ganadian Doll Austrian Schill Beighad Frant Danish Kroee Deutsche Marit Swiss Franc Guilder French Franc Lira Morgan 1962 = 100. 1965 = 100.	Graranty Bank of Rates are	England in forFeb.8 .	igex	(Base Are	80-
Feb.9	-	3	_	. 2	
Argentina Arstralia Brazil	1.9785	-31.6435 -1.9810 -1.7570	1.1	000 - 18.0 365 - 1 12 950 - 1.00	75

Asstratia 1.9785 - 1.9810 1.12 Srazil 1.7475 - 1.9770 0.97 Finland 7.5290 - 7.5510 4.23 Greeze 2.69 50 - 274.15 1.53 Hong Kong 1.3 6820 - 1.3650 7.70 Iran 125.50 7.00 Koneal Stub 1.181.15 - 1190.65 676 Koncal Lucembourg 68.30 - 68 40 8.3 Mataysia 4.7830 - 69 40 7.75 Mexico 4066.59 - 4079.75 2316. N. Zestland 2.8615 - 28665 1.52 Sadd Ar 6.5790 - 5.8990 3.75 Simpapore 3.3800 - 3.3255 1.3255	0 - 18.0001		
5. Af (Fn) 6.9545 - 7.0950 3.95 Talwan 48.15 - 48.40 27.	S-1 1275 0-42950 0-156,30 5-7.7985 5-7.7985 0-682,40 0-39,00 0-2,7290 0-2,7290 0-2,7290 0-1,9270 0-2,4340 0-2,4340 0-2,4340 0-2,4340 0-39,00	1.9785 - 1.9810 1.7475 - 1.7570 7.5290 - 7.5510 269 80 - 7.5415 13 6420 - 13.6950 122.50° - 0.50570 - 0.5056 68.30 - 68 40 4.7830 - 4.794 4.7830 - 4.794 4.7830 - 4.794 6.955 - 7.0950 4.255 - 7.0950 4.255 - 7.0950 4.815 - 2.840	Arstralla Brazil Brazil Brazil Greece Hong Kong Iran Kovael Lucenbourg Mataysia Mexico N. Zestand Saedi Ar. Sangapore S. Af (Co) Talwan Talwan

**MONEY MARKETS** 

Rates stay firm

band 1 at 12% per cent; £19m bank bills in band 2 at 12% per

cent; and £35m bank bills in band 3 at 1211 per cent. In the afternoon the Bank of

England purchased £556m bills outright, via £3m Treasury bills in band 1 at 12% per cent;

£415m bank bills in band 1 at 12% per cent; £96m bank bills in band 2 at 12½ per cent; £21m

bank bills in band 3 at 12<sup>11</sup> per cent; and £21m bank bills in band 4 at 12% per cent. Late belp of £35m was also pro-

Bills maturing in official

hands, repayment of late assistance and a take-up of Treasury bills drained £803m, with the unwinding of repurchase

agreements on bills absorbing

£651m; a rise in the note circu-

lation £50m; and bank balances

below target £20m. Thesa fac-

RATES MAINTAINED a firm tone in Europe yesterday. The short end of the London money market was kept tight hy a very large credit shortage.

Period rates were generally bills including £114m outright. Period rates were generally steady, with three-month sterbills, including £114m outright, by way of £77m bank bills in band 2 at 12½ per cent and £37m bank bills in band 3 at 12½ per cent. Another £837m bills ware purchased for resale to the market on February 22, at a rate of 13½ per cent. ling interbank unchanged at 13-12% per cent. In Frankfurt call money at a rate of 12% per cent.

Before lunch another £64m bills were hought outright, through £10m hank bills in

eased slightly to 5.90 per cent from 5.95 per cent, but dealers saw no sign of the Bundesbank UK clearing bank base lending rate 13 per cont tross November 25

easing its tight monetary stance, against a background of strong industrial production; rising inflation; and high capi-tal exports. The West German capital account deficit rose sharply last year. Full figures for 1988 are expected today or early next week

In Paris the Bank of France left its money market interven-tion rate at 8% per cent at yes-terday's securities repurchase agreement tender. The five to 10-day repurchase rate was also unchanged at 9 per cent.
In Rome the rate on a

reverse repurchase tender by the Bank of Italy rose sharply 12.96 per cent from 11.86 per cent. Dealers said the central bank is moving away from

intervention In London the Bank of England initially forecast a tors outweighed Exchequer money market credit shortage transactions adding £140m to money market credit shortage of £1.4bn, but revised this to

with upward pressure on rates elsewhere in Europe, pushed the pound down to DM3.2625 from DM3.2650. It was also lower against the ven at Y225.50 from Y226.00. Elsewhere, it finished at SFr2.7700 from SFr2.7725 and FFr11.1050, unchanged from Thursday.

On Bank of England figures, the pound's exchange rate index closed at 97.7, down from 97.6 at the opening but up from 97.5 at the close on Wednesday. There was no fresh data to influence the market, although traders pointed out that many investors are probably looking ahead to next week, when several key economic pointers are due for release.

The D-Mark traded nervously, taking most of its cue from the hesitant dollar. However, underlying factors pointed towards a further upward push on the D-Mark December trade data released yesterday, showed a rise in the

visible surplus to DM13.5bn, to give a record surplus of DM128bn for 1988. Further data suggest that the West German economy is growing at a faster pace than previously envis-aged. In addition, the cost of living index was revised upwards in January to 1.1 per cent, to give a year-on-year inflation rate of 2.6 per cent.

Against this background, many analysts see little pros-pect of a relaxation in the recent upward pressure on West German interest rates, and this should provide underlying support for the D-Mark.

The French franc managed to hold its own against the D-Mark. The French authorities adopted a fairly relaxed attitude by leaving the money market intervention rate unchanged at a sale and repurchase tender yesterday. The D-Mark closed at FFr3.4040 against FFr3.4030 on Wednes-

ems e	UROPE	AN CURI	RENCY (	JNIT <u>RA</u> T	TES
	Eco central ratio	Currency amounts against Ecu Feb.9	% change from central rate	% change adjusted for divergence	Owergence Coult %
Belgian Franc	42,4582 7,85212 2,05853 6,90403 2,31943 0,768411 1483,58	43.7176 8 11209 2.08626 7.10068 2.35578 0.781501 1521.22	+2.97 +3.31 +1.35 +2.85 +1.57 +1.70 +2.54	40.50 +1.70 +1.70 +1.80 +1.80 +1.35 +1.35	±1.5344 ±1.5404 ±1.0981 ±1.3674 ±1.5012 ±1.6684 ±4.0752

Feb.9	Day's spread	Clase	One mouth	% p.a.	Three months	% p.a.
naria theriands legium amark kand Germany rungal ain ly rway asce reden pap stria	1.7470 · 1.7580 2.0720 · 2.0775 3.674 · 3.69 68.21 · 68.60 12.674 · 12.70 1.2195 · 1.2270 1.2195 · 1.2270 2.255 · 203.25 202.55 · 203.25 207.5 · 2382.4 11.084 · 11.104 223 · 2264 227 · 2264 227 · 227 276 · 278	1.75-95 - 1.75-95 2.07-95 - 2.07-95 3.68-3.16-9 68.30 - 68.40 1.22-60 - 1.22-70 3.36 - 3.26-5 26.25 - 26.7-25 202.60 - 202.90 2377-5 - 2378-5 11.80-4 - 11.81-1 11.09 - 11.10 225 - 225 2.20-2.25 2.70-2.25 2.70-2.25	0.99-0.46cpm 0.34-0.21cpm 13-12cpm 30-22cpm 43-0.45cpm 0.56-0.50ppm 14-13cpm 14-13cpm 14-13cpm 13-13cpm 24-13ppm 124-11-5cpm 13-13cpm 13-13cpm 13-13cpm	325 159 5.90 4.56 4.37 5.14 6.21 0.33 1.01 0.17 2.16 8.31 6.17	1.43-1.38pm 0.79-0.60pm 54-51-pm 88-80pm 1.43-1.43pm 1.53-1.43pm 21-5pm 2-1pm 54-54-pm 104-101-pm 654-6pm 374-241-pm 45-45pm 374-241-pm 43-45pm	3.20 1.34 6.11 4.92 4.83 6.36 0.91 0.26 0.27 3.71 2.26 8.09 5.86

Feb,9	Cray's spread	Close	One month	% p.a.	Tiree months	% ₽æ.
K7	1.7470 - 1.7580	1.7545 - 1.7555	0.49-0 46cpm	3.25	1.43-1.38µm	3.2
elandt	14520 - 14589	1.4350 - 1.4360	0.20-0.25cd/s	-1.88	0.57-0 67ds	-1.7
ınada	1.1800 - 1.1845	1.1830 - 1.1840	0.14-0.19:015	-1.67	0.52-0.59ds	-1.8
etherlands.	2.0940 - 2.1090	2.0985 - 2.0995	0.47-0.44cpm	2.60	1.52-1.43pm	2.8
elglari	38 80 34 05	38.90 - 39.00	6.00-4.50cpm	1.62	18.00-15.00pm	1.7
entsärk	7.214 - 7.2612	7.224 - 7.234	0.80-0.55crepm	1.12	2.55-2.15pm	1.3
Germany	1.8545 - 1 8685	1.8585 - 1.8595	0,47-0 44pfpm	2.94	1.49-1.45pm	3.1
ortugal	152 1524	1524 - 1525	15-35tds	-1.97	70-LLDdfs	-23
win	115 15 115.95	115.55 - 115.65	25-30cd/s	-2.86	83-91dls	-3.0
My	1352 136012	13544 - 13554	2.00-2.50 liredis	-L.99	8.00-8.50dis	-24
ниау	6.714 6.754	6.7212 - 6.73	0.85-1.10oredls	-1.74	2.50-2.80ds	-1.5
ance	6.31 - 6.35 4	6.324 - 6.33	0.25-0.20cpm	0.43	0,80-0,70pm	0.4
redest	6.314 6.344	6.32 • 6.32 12	0.50-0,70cdls	-L14	1.35-1.65dls	-0.9
bari	128.20 - 129.30	128 45 • 128.55	0.53-0.50ypm	4.81	1.61-1.57pm	4.9
ıştırla	13.05 - 13 11	13.074 - 13.084	3,35-2,85groom	2.85	10.70-9.20pm	3.0
ettzerland .	1.5760 - 1.5900	1.5785 · 1.5795	0.45-0.42cpm	3.30	1.46-1.42pm	3.6

Feb.9	Short	7 Days	One	Three	Six	One
	term	notice	Month	Months	Months	Year
ling	13-2-2-12-2-12-2-12-2-12-2-12-2-12-2-12	13-12% 93-93-31 11-10% 64-54-5-5-5-5-8-8-8-1 12-11 74-74 43-4 73-73-94-94	134-13 94-94 114-104 64-64 51-64 64-6 114-114 74-74 44-4 84-74 94-74	11-5-4-5-1-5-4-5-5-5-5-5-5-5-5-5-5-5-5-5	19212 19212 1945559 1145569 114774 1165569 118774 1189	12. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.

Feb.9	£	\$	D#A	Yen	F Fr.	S Fr.	HFI.	Lira	€5	85
£	1 0 <i>5</i> 70	1.755	3.263 1.859	225.5 128.5	11.11 6.330	2770 1.578	3.685 2.100	2378 1355	2.076 1.183	68. 38.
OM	0.306	0.538	14.47	69.11	3,405	0.849	1.129	728.8	0.636	20.9
YEN	4.435	7.783		1000.	49.27	12.28	16.34	10545	9.206	303
F Fr.	0.900	1.580	2.937	203.0	10.	2.493	3.317	2140	1.869	61.
S Fr.	0.361	0.634	1.178	81.41	4.011		1.330	858.5	0.749	24.
H FI.	0.271	0.476	0.885	61.19	3.015	0.752	1	645.3	0.563	18.
Um	0.421	0.738	1.372	94.83	4.672	1.165	1.550	1000.	0.873	28.
C S 8 Fr.	0.482	0.845 2.568	1.572	108.6 329.9	5.352 16.25	1.334 4.053	1.775 5.391	1145 3479	1 3.037	32.0

## FT LONDON INTERBANK FIXING

L00 a.m. Feb.9)	3 months US dollars	6 secrets	US Dollars
M4 94	offer 9.4	58 92	ofter 913
the market to five	enetic means rounded to the ne reference banks at 11.00 a.m.	each working day. The bar	oks are National Westmisser

	H	URET	HA!	E-3		
NEW YORK			Treasury	8IIIs and E	onds	
(Lunchtime) Prime rate Broker loan rate Fed, funds at lotervention	. 101₁ Ter 101₂-1₄ Siv	e month o month remonth remoth rest rest rest o year		9.01 Seven ; 9.16 10-res	ear	9.15 9.11 9.03
Feb.9	Overnight.	Ope Month	Two Months	Tiree Months	Six Months	Lombard Intervention
Frankfurt.	84-85 43-54 425-4.75 317-33	5.45-5.60 812-811 53-53 6.40-6.50 41-4-6 124-123 712-71 73-81	5.85-6.00 812-011 	6.05-6-20 813-9-3 54-6 6.50-6.68 443-411 124-124 77-79 84-85	630-650 91-94 	6.00 7.25
	ONDO	N MC	NEY	RATE	S	
Feb.9	Overnight	7 days	One Month	Three Months	Six Months	One Year
merbank Offer	23%	134	134	13	1213	121

		7.4			S	
Feb.9	Overnight	7 days	One Month	Months	Six Months	One Year
merbank Offer	13%	134	13. 13. 13.	13 127 124 121	12 1 12 1 12 1 12 1	12½ 12½ 12½ 12½
nterbank 8 ld	13	12	13	12%	121	124
sterling CDs			13%	1217	125	12.5
.ocal Authority Deps	ן נגו	13	נון	1212	12%	12%
ocal Authority Bonds	134					
Iscount Mkt Deps	13%	13	123 137 13	124 13 1213		i
ompany Deposits		-	13%	.13	1213	125
inance House Deposits.	- 1	-	1 13 1	1212	121	125
reasury 811Is (Buy)		-	125	12%	-	· -
Bank Bills (Buy)	i - I	-	124	121, 131, 9.45-940	11 15 12 16 9.60-9.55	
ine 7 rade 8 ilis (Buy)	! -	-	134	134	123	-
ollar CDs		-	9.30-9.25	9.45-9.40	9.60-9.55	9.85-9.8
OR Linked Dep Offer	- 1	-	a.	84	85	812
OR Linked Dep 81d	- i	-	l 753	81	Ř.	84
CU Linked Dep Offer			i às i	85	821	
CU Linked Dep 8 id	. ,		I ŘŽ Ì	84	ă.	8 tš

one-month 12/3 per cent; three months 12/4 per cent; Treasury 8/11/5. Average tender rate of discount 12/3/33 pc. ECGO Fixed Rate Starling Export Finance, Make up day January 31, 1989. Agreed rates for period February 26, 1989 to March 25, 1989, Scheme 31, 21/39 pc., Schemes 31 & 11/3/4 pc., Schemes 31 & 11/3/4 pc., Schemes 31 & 11/3/4 pc., Local Authority and Finance Houses seven days motice, others seven days fixed. Finance Houses days Rate 13/4 from February 1, 1989; Bank Deposit E100,000 and over held under one month 9/2 per cent; met-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9/2 per cent from December 1,1988, Deposits withdrawn for cash 5 per cent.

#### **FINANCIAL FUTURES**

## A generally weak tone

A WEAKER tone to short starling and depressed US lower at 90-23, but this was almost the day's high, with the contract sliding to close just terday. March short sterling traded in a very narrow range of only 5 basis points, opening and closing at 87.22, compared with 87.25 on Wednesday. This was close to a major support point of 87.21, which if broken could produce a fall to 87.10. Treasury bonds for

Estimated volume total, Calls 5079 Puts 1613 Previous day's open int. Calls 35314 Puts 21324

LUFFE E/S OPTIONS E25,000 (costs per £1)

1055

LONDON (LIFFE)

7-20 YEAR 9% BUTBONAL GILT \$50,000 32ms of 100%

Estimated Volume 376 (370) Previous day's open left, 731 (698)

6% NOTERNAL LONG TERM JAPANESE GOVT. BOND Y198:n 1000s of 100%

Est, Vol. (inc. figs. not shown) 15757 (15024) Previous day's open int., 60095 (59533)

ated Volume 5255 (4929) ns day's open (ot. 17384 (15987)

THREE MONTH EURODOLLAR

Estimated Volume 8291 (4974) Previous day's open int. 11737 (12972)

Estimated Volume 11375 0.1215) Previous day's open int. 21578 (20183) POUND-S (FOREIGN EXCHANGE)

DAM-STEPLING So per £

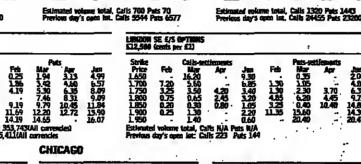
1-orth 3-orth 6-orth 12-orth 1.7503 1.7410 1.7309 1.7177

Clase High Low Pri 107.03 107.10 106.90 106. 105.80 105.84 105.74 105.

Close High Low Pres, 211,00 212.70 210.00 213.20 215.20 217.00 214.60 217.40

Close High Low Pr 98-15 98-23 98-13 98-99-17 99-24 99-18 99-

above its low, at 90-12, against 91-18 previously. Liffe closed with the market waiting ner-vously for the result of the US Treasnry's 30-year bond auction, after disappointment at the outcome of the 10-year auction. There was lower than expected demand for 10-year



_	U.S. TRE \$100,000	ASURY BONDS 32mb of 100	(CENT) 87			JAPANES Y125m S	E AEN (ZIMIN)			
1.03	Mar Jen Sep Dec Mar	90-13 90-13 90-11 90-07 90-04 90-00	90-31 90-29 90-29 90-25 90-20 90-20	90-09 90-07 90-04 90-04 90-00	91-05 91-05 90-30 90-27 90-23	Mar Jun Sep Dec	0.7820 0.7923 0.8017	0.7828 0.7928 0.7928 0.8026	0.7815 0.7918 0.8017	9,7764 0,7663 0,7954 0,8049
-	Jun Sep Dec	89-29 89-26	90-03	89-29 89-26	90-20 90-17	BEUTSCH DW125,00	E MARK CEMIN 10 \$ per dul	j .		•
2	Mar Jun Sep	:	:	:	90-11 90-08 90-03	Mar Jan Sep	0.5397 0.5441	9.5404 0.5448	0.5392 0.5437	Pres, 0.5363 -0.5407 0.5450
		ASURY MALS	THEO							
-	Nar	Latest 91.42	High 91.43	10w 91.39	Pres. 91.45	THREE-M	ONTH EURODO s of 166%		40	
	Jun Sep Dec Mar Jun	91.45 91.57 91.56 91.71 91.75	91.49 91.58	91.44 91.57 91.55 91.71 91.75	91.53 91.62 91.61 91.78 91.78	Mar Jan Sep Dec Mar Jun Sep Dec	20.29 90.28 90.26 90.26 90.41 90.44 90.46 90,44	90.31 90.23 90.28 90.26 90.42 90.44 90.46 90.44	10W 90.27 90.17 90.25 90.41 90.42 90.45 90.43	90.34 90.36 90.33 90.30 90.46 90.47 90.49
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**EUROPEAN OPTIONS EXCHANGE** 

TOTAL VOLUME IN CONTRACTS: 46,620
A-Ask 8-8id C-Call P-Pat

BASE LENDING RATES

Equatorial Bank plc ... 13
Exter Trest Lid ... 1315
Financial & Geo. Bank ... 13
First National Bank Plc ... 14
Robert Fleming & Co ... 13

Heritable & Gen Int Bolk 13 • Hill Sassoel 513

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C. Heare & Co. 13
Hongkong & Stangth 13
D. Leopold Joseph & Sons 13
Lloyds Bank Luf 13
Medicarj Bank Luf 13
McDonsell Dougles Bok 13
McDonsell Dougles Bok 13
McTonge Express Ltd. 213,95
Mortgage Express Ltd. 213,95
Moust Bate Corp. 13
Mat Bk. of Kavall. 13
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Mat Bk. of Kavall. 13

Convo. Bit. M. East. Co-operative Bank .... Contis & Co.... Cypres Popular Bit .... Durbar Bank PLC ....

Golgness Mahon
HFC Back plc ...

Adam & Company AAB - Alfied Arab Bk ... Alfied Irish Bank ...

Bank of Cypras . Bank of Ireland

Banque Beige Ltd ... Barclays Back .....

Benchmark Bank PLC ... Berliner Bank AG ...... Brit Bå of Misi East .....

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 Business Mitge Tst
 C. Bank Nederland
 Central Capital

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1.80 5.80 4.80 2.70 1.80 2.130 2.130 6.50 2.80

accepted hids at the auction at the top of the yield range. This led to a sell of long bond post-

Strike	LEFE FF	SE DOSEX	FUTURES	OPTIONS	<del></del>	-
Estimated volume total, Calls 0 Pats 0 Previous day's open int. Calls 0 Pats 0	Price 19500 20000 20500 21000 21500 22000	1627 1179	lements	Mar 27 79	ziemeni	
	Estimated Previous da	ychwe tot	al, Calls 0 rl. Calls 0	Pats 0 Pats 0	•	

paper, with a large number of

March long gilt futures opened weaker at 98-16 on Liffe, and failed to hold on to a

near the day's low at 98-15, compared with 98-21 on Wednesday.				
LIFFE FT-SE INDEX FUTURES OFTENDES	-			
21500	_			

night, possibly (10) 26 Verbal tender of dyke-

mono-brachial (6) 1 Blue county players (8)

Estimate value of a two-penny increment (8)

6 At the end of the barrel? ACROSS 1 Spoil what people study at Camptown? (6) (5-5)
7 Dish of prepared tripe (5)
8 Attack of fliers in set pat-

4 Reeds blown in the fields tern (6) 9 Pair take on another in flat 10 Of whom Wodehouse wrote (5) 14 Point below nuclear blast is like nothing on earth (6-4)
17 Din a frog's making in cold
blood (4-5)
18 Commission makes CID

so comically (7)

11 It is tied up in a bow (7)

12 Open-handed blow from copper, very loud (4)
13 'e think safe troublesome? react violently (8)
19 Just right (8)
22 First of sound recordings reproduced in The Listener?

(5-5)
15 Last of Madras spiced dish makes one run like this (6)
16 Impractical advice to consumers? (7)
20 Stem the flow - it is tried

(6)
23 These photographs are
Philip's, we hear (5)
25 Encouraged in rude way
about midnight (5) and trusted (7) 21 Stop frowning and cast offi (6) 24 Making great noise below in 27 Planned go at encircling Julius Caesar (4)

28 Lumpy cargo between the road-rail and the firewood (3-4) 29 Spike, look inside and carry

on (7) 30 So humid around square here in Devon (8) 31 Outlaw not necessarily

2 Fallen arch, perhaps, at Wimbledon (4-5) 3 This girl can be hurt (4)

Solution to Puzzle No.6,856 TRA AER 8 T 708TI 8 0

JOTTER PAD

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## WORKSHOP

15-17 FEBRUARY, 3-5 APRIL 8-10 MAY, 26-28 JUNE 1989

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Gratuum Simister General Manager, Treesury Nomura Bonk International pic	Ariel Satage Vice President, Global Rek Managemer Benkers Trust International Ltd
Kerein Lee Assistant Director, Treasury and Trading Group Baring Brothers & Co Ltd	Richard Klisby Managing Director, Capital Markets Charterhouse Bank Limited
Bob Futler Director, Capital Markets Charterhouse Bank Limited	
Price Waterho	ouse <b>(1)</b>

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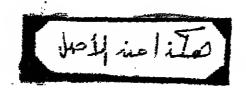
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WORLD STOC	CK MARKETS
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#### **NEW YORK STOCK EXCHANGE COMPOSITE PRICES**

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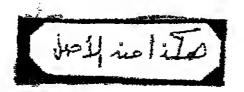
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FINANCIAL TIMES

#### OVER-THE-COUNTER

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**FINANCIAL TIMES** 

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## Dow undermined by lower bonds and weak dollar

Wall Street

WEAKNESS in Treasury bonds and the dollar pulled equities lower yesterday, although the market still showed a measure of resilience, writes Janet Bush

in New York.

Blue chips slumped at the opening, taking the Dow Jones Industrial Average more than 10 points lower. The index then bounced back as institutions, which are in the process of increasing the equity compo-nent of their portfolios, snapped up stocks at cheaper levels. By midsession, how-ever, profit-taking had once again taken its toll.

At 2pm, the Dow stood 14.28 points lower at 2,328.93. Volume was once again heavy with 132m shares having changed hands by midsession. There were a number of reasona for caution. The dollar was weaker, quoted in midses-

sion trading in New York at Y128.30 compared with its ear-lier high of Y129.58 and at DM1.8535 from DM1.8720 earlier. Bonds fell by around a full point at the long end of the yield curve, with prices showing more vulnerability than they have for some time.

financial markets could be traced to the imminence of President George Bush's presentation of his first hudget to the nation. There is expected to be a political storm in Congress about the President's proposal to cut capital gains tax and considerable scepticism about his hudget arithmetic. There is also concern that and have to track that index as

#### tighten monetary policy. Its operations in the money market so far this week have not suggested another tightening yet, but most bond analysts believe that the Federal Open Market Committee, which met earlier this week, authorised

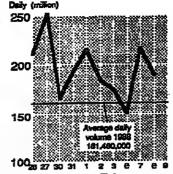
another boost to short-term interest rates. The theory is that the Fed will tighten shortly, hut has been concerned not to disrupt the quarterly refunding this week and not to be seen to undermine President Bush's

address to the nation. The structure of money mar-ket interest rates suggests that any further Fed-inspired rise in short-term rates would have prompted US commercial banks to increase their prime rates this week.

The possibility of a capital gains tax decrease may well have been one of the factors hoosting equities in recent weeks, as investors hold off from taking profits until they can sell and pay less tax on their gains.

One focus of the market was RJR Nabisco, as the financing for the huy-out of the company by Kohlberg, Kravis, Roberts was finalised. Perhaps of more immediate relevance to the company's stock price was the fact that RJR Nabisco was yesterday removed from the Standard & Poor's 500 index to be replaced by First Union, a North Carolina commercial

Managers of passive investment funds primarily hase their portfolios on the S&P 500



Jan 1989 February

closely as possible. Therefore, when a stock is removed, fund managers have to sell that stock and buy shares of the company replacing it on the

This process appeared to account for RJR Nabisco'a substantial drop. It was quoted \$19 lower at midsession at \$81 while First Union was up \$1 at \$22 %. King World Productions. another new member of the S&P 500, added \$1% to \$26%. Among other featured issues was Genentech, which gained \$1% to \$20. Scientists from the company and two research institutions said they had coupled an experimental AIDS drug with a human antibody to enhance the AIDS drug'a abil-

ity to fight the virus.

Pan Am rose \$% to \$3% in the wake of this week'a newa of concessions by the airline'a

union to cut costs.

General Devalopment
jumped \$2% to \$18 after
Amruss Partners of Colorado made an offer of \$23 a share in cash and securities for the

INDUSTRIAL and energy stocks pulled Toronto broadly lower, in splte of a healthy gain in the gold sector in early

The composite index dropped 13.2 to 3,683.0 on volume of

## Early strength gives way to worry over high prices

Tokyo

PRECARIOUSLY high prices and the increasing likelihood of some restrictions on margin transactions took share prices lower after a huoyant rally early in the day, writes Michiyo Nakamoto in Tokyo.

Trading began with a hullish tone as the Nikkei average rose 161.34 points only an hour after the opening. The dizzying speed with which share prices have heen rising, however, fuelled widespread and profit-taking, and the Nik-kei average fell from a high of 32,270.48 to a low of 32,064.24 before closing up a moderate

13.31 at 32,078.43.
Volume fell to 1.5bn shares against the 1.79hn traded on Wednesday, and the Topix index of all listed shares was little changed, off just 1 at 2,489.07. In London, the ISE/Nikkei 50 index rose 3.41 to Nikkei 50 index rose 3.41 to

Yesterday's rather weak performance in Tokyo was seen as a natural slowdown for a market that has risen so speedily over the past few sessions. There were few outside infinences to concern the market,

with the yen actually stronger against the dollar.

Domestically, there are wor-ries over the possibility that opposition parties will increase pressure on the ruling Liberal Democratic Party (LDP) to take responsibility for the involve-ment of several members in the Recruit Cosmos share sale

Figures in parentheses show number of stocks

Australia (89). Austria (18)... Belgium (63).. Canada (125)..

Denmark (39). Finland (26)...

Spain (42)..

Sweden (35)..... Switzerland (57)..... United Kingdom (314).....

Europe (1007).....

Euro-Pacific (1683).

Europe Ex. UK (693)..... Pacific Ex. Japan (220)...

World Ex. U5 (1881)....

World Ex. UK (2136)...... World Ex. So. Af. (2390).... World Ex. Japan (1994)....

ing the political stability of the LDP and raising concerns that a shaky Government could eventually dampen equity trading, but sentiment remains

very positive.
The recent tendency for investors to move around the market in quick sectoral rota-tion led to demand for hightechnology issues yesterday, particularly those that have been neglected recently. Among them were electricals

the most actives list with 76.7m shares, adding Y30 to Y1,140.
Sato Kogyo, the construction company which has risen substantially on expectations that government spending on improving Japan's infrastructure will boost its earnings, was second most actively traded at 60.7m shares, adding

Y210 to Y2,160.

Kobe Steel was third in volume terms with 54.7m shares traded, but fell Y7 to Y830. Although expectations are that steels will be among the market leaders these are also liable to be sold heavily as they are approach previous highs. NKK was down Y25 at Y968 in heavy

was down 125 at 1500 in heavy trading. Individually, Meiji Milk Products added Y70 to Y1,080 on reports that it has found a new substance in the fight against the Aids virus.

Investors in Osaka selected high-technology issues and the OSE average gained 25.60 to 30,459.44. Volume at 159.6m

WEDNESDAY FEBRUARY & 1989

80.69 113.62 116.20 122.17 121.10 101.67 73.22 110.01 117.17 67.44 165.36 134.40 140.28 97.04 63.25 125.54 120.54 108.72 124.12 124.12 124.12 103.37

102.46 122.97 161.52 137.90 104.06 85.70 115.54 136.85 123.37 124.02

+0.3 | 123.92 |

US Dollar Index

151.71 94.90 133.61 136.65 156.13

142.41 119.56 86.11 129.37 137.79 79.30 194.46 158.06 164.97 114.12 74.38 159.54

159.54 141.75 127.85 145.97 149.17 76.51 152.54 121.56

120.49 144.61 189.95

162.16

122.37 100.78 135.87

160.94 145.08 145.84

Day's Change %

+0.8 +0.5 +0.5 +0.6 -0.3 +0.5 +0.8

181.3m traded on Wednesday.

#### Roundup

THE HONG Kong market stood out with a powerful rise, while Australia and Singapore were

**HONG KONG** celebrated the first day's trading in the new Chinese year hy soaring to another post-crash high, helped by hnoyant markets

demand.
The Hang Seng Index gained 104 to 3,209.96 - its largest single gain since January 5 last - and turnover totalled HK\$2.7bn.

Hongkong Bank and Hong-kong Telecom both gained 15 cents to HK\$7.50 and HK\$5.80 respectively. China Light rose

40 cents to HK\$15.50.

AUSTRALIA finished at the day's high, boosted by stronger commodity prices and futures prices. The All Ordinaries index closed up 12.3 at 1,513.6 in continued thin trading of 79m shares worth A\$141m. News Corp was particularly strong, rising 25 cents to A\$10.95. Renison Goldfields

climbed 12 cents to A\$7.38 after a 68 per cent rise in six month earnings. Poseidon eased 5 cents to A\$2.30 following news that the Normandy Resources mining group had apparently beaten TNT, the transport company, for control of Posei-

TUESDAY FEBRUARY 7 1989

Pound Sterling Index

127.67 80.38 113.75 116.79 133.18 119.54 100.62 72.86 110.08

115.60 67.33 164.59 133.45 138.79 96.97 62.27 135.52 118.86 106.89 124.89 124.89 124.89 124.89 124.89 124.89

101.71 122.44 160.75 137.13 104.42 85.37 114.69

136.12 123.15 123.69 103.92

123.59

**FT-ACTUARIES WORLD INDICES** 

Jointly complled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Gross Oiv. Yleid

3.45 1.97 0.69 1.52 3.50 2.83 4.34 1.59 1.98 2.17

131.78 2.18 145.26

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115,037 (US 5 index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US 5

US Dollar Index

150.05 94.47 133.69 137.27 156.53 140.50 118.26 85.63 129.37 135.86 79.13 193.44 156.84 163.12 113.97 73.19 159.28 139.70 125.62

146.79 147.85 76.21 150.74 121.90

119.54 143.91 188.93

161.17 122.73 100.33 134.80 159.99 144.74 145.38 122.13

Local Currency Index

113.21 92.30 129.99 117.36 154.81 129.08 119.47 83.80 129.55 136.29 80.78 159.36 166.06 418.61 10.11 64.15 146.60 125.75 110.68 128.74 75.44 129.71 140.72 140.72 121.56

110.40 133.45 156.01 137.86 121.33 98.41 113.65

137.04 132.01 131.93 117.36

## Energetic Europe sees turnover take off

January had some of the best volumes for over a year, writes Jacqueline Moore

year in energetic style, as equity turnover figures for January were pumped up everywhere.

The Netherlands and West Germany heavily outstripped their 1988 monthly figures, ach-ieving their highest totals by far for over a year. Both recorded jumps in volume of about 60 per cent over their already active December totals. France was also at its busiest for over a year, with a provisional rise of 45 per cent over its revised December figure.

Last month saw most bourses' share price indices top their 1988 peaks - Frankfurt, for example, opened the year with its FAZ and DAX indices beating their 1988 highs, and Paris's CAC index did tha same. This npward trend, though more selective as the month progressed, reflected in the rise in activity throughout Europe.
The Netherlands' new year

vigour produced a 60.4 per cent increase in January volume to Fi 17.4hn worth of shares

The rise was inspired in part by rallies on Wall Street and in the UK, which in turn boosted turnover in Amsterdam's big international stocks, Unilever and Royal Dutch.

The Dutch bourse was also influenced positively by the large amount of corporate news, culminating in the pros-pect of February's partial flota-tion of DSM, said one analyst. In January, speculation and profits news prompted interest in shipping stock Nedlloyd, insurer NatNed, electronics company Philips and steelmaker Hoogovens, while chemical stock Akzo saw a flurry of activity in anticipation of the

Dutch turnover was also bolstered by investor confidence. with relatively good earnings prospects for 1989, predictions of economic growth at least as good as 1988's and cuts in corporation tax, according to another analyst.

Volume in Germany meanwhile leapt 59.9 per cent to DM102.5bn - almost double last year's monthly average of

the driving forces behind the activity. Negative talk about the company's earnings pros-pects mid-month made it one of the most active stocks. The eshuffling of the FAZ index at the start of the year was also held responsible for some of

France was vibrant, putting a a provisional total of FFr112bn shares traded, compared with a monthly average last year of FFr67bn. On Janu ary 6. Paris recorded its highest ever daily turnover, worth FFr6.4bn. The activity came in spite of a strika by Paris bourse employees, which curtailed trading in blue chips on several days, and a number of bomb scares at the exchange.

As usual, speculation and corporate news lay behind much of the French volume. I.VMH, the luxury goods group, was in the vanguard of excitement, with drinks companies Petrier and Pernod bubbling along behind.

All-time highs on the Brus-

EUROPEAN EQUITIES TURNOVER Monthly total in local currencies (bn) 55.9 101.2 72.4 **80.0** 112.0 81.9 102.5 17.4 367.6 10.8 401.1 Spain 12.3 17.4 Switzerland Volumes represent purchases and sales. Swiss and French data estimated. Italian data adjusted to include off-market

month underlined the opti-mism that pushed Belgian turnover up 51.6 per cent in January to BF172.4bn — its highest level since last September. Strong corporate results, a hopeful economic outlook and healthy demand for steel shares were among the causes. The computerisation of trading in a handful of stocks also produced heavy turnovers in those

trading. Source: County NatWest WoodMac

Volume rose 46.6 per cent in Italy, where investors were preoccupied much of the time with worries about taxes and

the political situation. In Swit focused on husiness services company Adia — which even-tually linked up with Inspec-torate to initial disapprobation — turnover increased by 30.4 per cent.

Even sluggish Spain, beset by worries about inflation and union/government negotiations, saw turnover rise 21.5 per cent last month over December. This fairly healthy increase was nevertheless the slowest growth rate in last month'a zestful Europe.

## Bush budget speech keeps bourses cautious

A NOTE of caution crept in to European trading before the budget speech by Mr George Bush, the US President, due early today. Bigger bourses ended weaker, but Scandinavia spurted ahead, writes Our Mar-

FRANKFURT fell back from its new highs on Wednesday amid profit-taking and caution over Mr Bush'a speech. German newspaper editorials focusing on interest rates also hrought underlying worries back to the surface.

Some analysts now believe the market can take a further rise in domestic rates in its stride. But investors were in uncertain mood yesterday, given the dangers of an over-reaction from financial markets "that are looking for something special" from the Bush speech, said one analyst. The FAZ eased 1.94 to 567.33

and the DAX lost 12.46 to 1,347.42 as turnover remained strong at DM4.05bn. Several speculative or situation stocks stood out against the trend. Agiv, the industrial conglomerate, added DM3 to DM500 after its DM19 climb on

Wednesday; it has bought a 37 per cent stake in construction group Wayss und Freytag from Dresdner Bank, giving it a 99 per cent holding, a move seen as increasing its earnings and raising its profile in the con-

Insurance stock Munich Re rose DM45 to DM2,100 on a large buy order, while engineer Deutsche Babcock reached DM186 before closing DM1.50 easier at DM181.50 as the latest rumour surrounding the company suggested that utility RWE might take a stake so they could pool their expertise in the air cleaning field.

Fellow engineer MAN ended off DM1 at DM266 after first half sales and order figures in line with expectations

line with expectations.

PARIS had a nervous session, hit by a bourse employees' union meeting which stopped trading in the 13

#### **SOUTH AFRICA**

1988/89 High

157.12 100.00 139.89 137.27 161.60 142.41 119.56 90.40 129.38 144.25 86.88 197.43 158.06 182.24 115.04 181.75 139.07 161.54 161.54 161.55 161.54 161.55 161.54 161.55 161.55 161.55 162.22 86.75 152.54

120.49 144.61 192.26

162.16 122.73 102.91

137.41 160.94 145.08 145.84 122.34

131.15 145.73 113.37 117.37

Currency

112.52 91.86 129.74 117.49 154.56 127.26 117.89 83.14 129.55 133.82 80.49 158.04 164.67 413.76 109.63 63.39 146.20 124.15 108.75 129.25 129.25 129.25 129.25 129.25

97.73 113.09 135.93 131.46 131.30 117.12

THE weak financial rand and continued inatitutional demand for quality shares spurred demand and Johanneshurg gold stocks closed sharply higher.

**DOLLAR INDEX** 

1988/89 Low

91.16 83.72 99.14 107.06 111.42 106.78 72.77 67.78 84.90 104.60

62.99 133.61 107.83 90.07 95.23 63.32 98.55 98.26 130.73 96.92 96.92 14.13 120.66 99.19

97.01 98.11 130.81 120.36 99.78 80.27 87.51 120.26 111.77 113.26 100.00

Year ago (approx)

91.16 86.28 114.08 109.88 114.50 79.50 71.26 85.46 107.65 64.08 149.12 108.53 141.78 66.87 102.70 99.56 118.85 133.15 133

98.30 104.41 144.40 125.98 105.03 81.60 87.51 125.37 116.61 117.36 102.15

option blue chip and then by worries over the US budget to FFr634 and oil group Total put on FFr3 to FFr4.20. But LVMH fell FFr12 to FFr4,028 There were also some titters

about a weekend television appearance by President Mit-terrand - his first since the election last May - which could indicate a shift to the left as a show of support for socialist candidates in the March municipal elections.

Profit-taking took blue chips lower and the CAC 40 index ended 8.29 down at 1,693.80, while the OMF 50 index lost 2.44 to 476.3. Volumes were thought to be lower than Wednesday's FFr2.8bn.

Metaleurop seemed unstoppable after several daya of rises, adding FFr14.70 to FFr170.20 on heavy volume of 605,000 shares. Fund managers in London are said to be especially keen on the company which will benefit from higher zinc prices. One analyst feels the share could reach FF1250 as investors jump on the band-

Among those companies reporting improved 1988 sales, retailer Printemps added FFrI and Midi lost FFr4 to FFr1,651. ZURICH finished mixed amld ontinuing rumours that chemicals group Ciba-Geigy and Sandoz planned to take stakes in each other.

The two companies declined to comment and Sandoz bearers jumped SFr275 to SFr10,275 while Ciba-Geigy bearers were unchanged at SFr3.130. Banks remained under a cloud, and Credit Suisse bearers fell SFr40 to SF12,700.

At the close the Crédit Suisse index was up 2 at 541.4. AMSTERDAM ended weaker after a session dominated by corporate news, notably from NMB, the bank, and KLM, the airline. The CBS tendency. index shed 0.40 to 165.60 in quieter trading than Wednesday, when turnover was swelled by activity in new issue DSM. NMB rose Fi S to Fl 212:50

amid speculation about its pos-sible merger with state-owned Postbank. NMB said the outcome of a study into possible co-operation would be announced later this month.
KLM disappointed high expectations with its third quarter net profits of F1 60.8m against FI 57.8m last year. The share ended off Fi 1.40 at Fl 45.80, up from a low of FI 44.60, after rising steadily this week DSM eased Fl 3.10 to Fl 120

after its surge this week.

MILAN ended slightly easier with the Comit index falling 0.52 to 579.97 in thin trading said to be similar to Wednes day's L110bn. "It's very soggy. underfoot," said one analyst.
Olivetti ross L21 to L9,371
after its acquisition of ISC

STOCKHOLM saw enthusi-asm for selected blue chips in an otherwise calm market. with only SKr281m worth of ahares traded: The Affärs-världen General index rose 2.6 to 1,072.0.

Ericsson free B shares gained SKr2 to SKr402 on its 65.7 per cent rise in 1968 protis, at the top end of expectations. Aga free Bs added SKr7 to SKr249 on analysts' recommendations. Trelleborg free Bs rose SKr5 to SKr368 on expectations

FINANCIAL HMESINTERNATIONAL CONFERENCES

of good results and higher copper prices, said one analyst. OLSO reached a new post-crash high, with the all-share index up 0.86 at 409.84 in active

trading.
HELSINKI gained ground for the third consecutive session as good corporate news boosted demand, with the Unitas all-share index up 6.4 at

BRUSSELS was boosted by speculative demand for the three troubled subsidiaries of Société Générale de Belgique, and the cash market index rose 22,69 to 5,813.71. Chemical stock Gechem added BFr30 to BFr820 and steelmaker Arbed put on BFr270 to BFr4,850, with both benefiting from the hope that financial restructuring

will improve results. MADRID saw continued uncertainty over the break-down of negotiations between the unions and the Government. The general index eased just 0.03 to 279.56.

Telefonica lost 2.75 points to 189 of par and announced improved group profits for 1988

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## SPRING/SUMMER 1989 CALENDAR

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of Future Growth

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